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# INDIAN TRADE MANUFACTURES & FINANCE

BEING CHAPTERS REPRINTED FROM 'THE ECONOMIC  
HISTORY OF INDIA' AND 'INDIA IN THE  
VICTORIAN AGE'

BY  
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## PREFACE.

THE sources of a nation's wealth are Agriculture, Commerce and Manufactures, and sound Financial Administration. British rule has given India peace ; but British Administration has not promoted or widened these sources of National Wealth in India.

Of Commerce and Manufactures I need say little in this place. I have in another work\* traced the commercial policy of Great Britain towards India in the eighteenth and the earlier years of the nineteenth century. The policy was the same which Great Britain then pursued towards Ireland and her Colonies. Endeavours were made, which were fatally successful, to repress Indian manufactures and to extend British manufactures. The import of Indian goods to Europe was repressed by prohibitive duties ; the export of British goods to India was encouraged by almost nominal duties. The production of raw material in India for British industries, and the consumption of British manufactures in India, were the twofold objects of the early commercial policy of England. The British manufacturer, in the words of the historian Horace Hayman Wilson, "employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms."

When Queen Victoria ascended the throne in 1837, the evil had been done. But nevertheless there was no relaxation in the policy pursued before. Indian silk handkerchiefs still had a sale in Europe ; and a high duty on manufactured Indian silk was maintained. Parliament

\* *Economic History of British India, 1757 to 1837.*

inquired how cotton could be grown in India for British looms, not how Indian looms could be improved. Select Committees tried to find out how British manufactures could find a sale in India, not how Indian manufactures could be revived. Long before 1858, when the East India Company's rule ended, India had ceased to be a great manufacturing country. Agriculture had virtually become the one remaining source of the nation's subsistence.

British merchants still watched and controlled the Indian tariff after 1858. The import of British goods into India was facilitated by the reduction of import duties. The growth of looms and factories in Bombay aroused jealousy. In 1879, a year of famine, war, and deficit in India, a further sacrifice of import duties was demanded by Parliament. And in 1882 all import duties were abolished, except on salt and liquor.

But the sacrifices told on the Indian revenues. In spite of new taxes on the peasantry, and new burdens on agriculture, India could not pay her way. In 1894 the old import duties were revived with slight modifications. A 5 per cent. duty was imposed on cotton goods and yarns imported into India, and a countervailing duty of 5 per cent. was imposed on such Indian cotton fabrics as competed with the imported goods. In 1896 cotton yarns were freed from duty ; but a duty of  $3\frac{1}{2}$  per cent. was imposed on cotton goods imported into India, and an excise duty of  $3\frac{1}{2}$  per cent. was imposed on all goods manufactured at Indian mills. Coarse Indian goods, which did not in any way compete with Lancashire goods, were taxed, as well as finer fabrics. The miserable clothing of the miserable Indian labourer, earning less than  $2\frac{1}{2}$ d. a day, was taxed by a jealous Government. The infant mill industry of Bombay, instead of receiving

help and encouragement, was repressed by an excise duty unknown in any other part of the civilised world. During a century and a half the commercial policy of the British rulers of India has been determined, not by the interests of Indian manufacturers, but by those of British manufacturers. The vast quantities of manufactured goods which were exported from India by the Portuguese and the Dutch, by Arab and British merchants, in the seventeenth and eighteenth centuries, have disappeared. India's exports now are mostly raw produce—largely the food of the people. Manufacturing industry as a source of national income has been narrowed.

There remains Agriculture. Cultivation has largely extended under the peace and security assured by the British Rule. But no man familiar with the inner life of the cultivators will say that the extension of cultivation has made the nation more prosperous, more resourceful, more secure against famines.

The history of the Land Revenue administration in India is of the deepest interest, because it is intimately connected with the material well-being of an agricultural nation. In the earlier years of the British Rule, the East India Company regarded India as a vast estate or plantation, and considered themselves entitled to all that the land could produce, leaving barely enough to the tillers and the landed classes to keep them alive in ordinary years. This policy proved disastrous to the revenues of the Company, and a reform became necessary. The Company then recognised the wisdom of assuring to the landed classes the future profits of agriculture. Accordingly, Lord Cornwallis permanently settled the Land Revenue in Bengal in 1793, demanding from landlords 90 per cent. of the rental, but assuring them against any increase of the demand in the future. The proportion

taken by the Government was excessive beyond measure ; but cultivation and rental have largely increased since 1793 ; and the peasantry and the landed classes have reaped the profits. The agriculturists of Bengal are more resourceful to-day, and more secure against the worst effects of famine than the agriculturists of any other Province in India.

A change then came over the policy of the East India Company. They were unwilling to extend the Permanent Settlement to other Provinces. They tried to fix a proper share of the rental as their due so that their revenue might increase with the rental. In Northern India they fixed their demand first at 83 per cent. of the rental, then at 75 per cent., then at 66 per cent. But even this was found to be impracticable, and at last, in 1855, they limited the State-demand to 50 per cent. of the rental. And this rule of limiting the Land Revenue to one-half the rental was extended to Southern India in 1864. An income-tax of 50 per cent. on the profits of cultivation is a heavier assessment than is known in any other country under a civilised Government. But it would be a gain to India if even this high limit were never exceeded.

The rule of the East India Company terminated in 1858. The first Viceroys under the Crown were animated by a sincere desire to promote agricultural prosperity, and to widen the sources of agricultural wealth in India. Statesmen like Sir Charles Wood and Sir Stafford Northcote, and rulers like Lord Canning and Lord Lawrence, laboured with this object. They desired to fix the State-demand from the soil, to make the nation prosperous, to create a strong and loyal middle class, and to connect them by their own interest with British Rule in India. If their sound policy had been

adopted, one source of national wealth would have been widened. The nation would have been more resourceful and self-relying to-day ; famines would have been rarer. But the endeavours to make the nation prosperous weakened after the first generation of the servants of the Crown had passed away. Increase of revenue and increase of expenditure became engrossing objects with the rise of Imperialism. The proposal of Canning and of Lawrence was dropped in 1883.

The reader will no doubt clearly grasp the two distinct principles which were held by the two different schools of administrators. One was the school of Lord Canning and Lord Lawrence, of Lord Halifax and Lord Iddesleigh, who urged a Permanent Settlement of the Land Revenue. They knew that land in India belonged to the nation and not to a landed class, that every cultivator had a hereditary right to his own holding, and that to permanently fix the Land Revenue would benefit an agricultural nation, and not a class of landlords. The other school demanded a continuous increase of the Land Revenue for the State, by means of recurring Land-Settlements, in course of which the State-demand was generally increased at the discretion of Settlement-Officers.

The Marquis of Ripon was the Viceroy of India from 1880 to 1884, and he proposed a masterly compromise between the opinions of the two schools. He maintained the right of the State to demand a continuous increase of the Land Revenue on the definite and equitable ground of increase in prices. But he assured the cultivators of India against any increase in the State-demand, unless there was an increase in prices. He assured to the State an increasing revenue with the increasing prosperity of the country as evidenced by



prices. And he assured to the cultivator a permanency in the State-demand reckoned in the proportion of the field produce taken as Land Tax. Lord Ripon's scheme happily combined the rights of the State with that security to cultivators without which agriculture cannot flourish in any part of the world. But Lord Ripon left India in December 1884; and his wise settlement was negated by the Secretary of State for India in January 1885. The compromise which had been arrived at after years of inquiry and anxious thought in India was vetoed at Whitehall; and a nation of agriculturists was once more subjected to that *uncertainty* in the State-demand which is fatal to successful agriculture.

The Half-Rental Rule still remained—in theory. But in practice it had been violated. The expenses of the Mutiny wars had vastly added to Indian liabilities, and demanded increase in taxation. Commerce could not be taxed against the wishes of British merchants and British voters; the increased taxes therefore fell on agriculture. Accordingly, from 1871, a number of new taxes were assessed on land, in addition to the Land Revenue. If the Land Revenue was 50 per cent. of the rental, the total assessment on the soil, including the new taxes, came to 56 per cent., or 58 per cent., or even 60 per cent. of the rental. And the people of India asked, what was the object of limiting the Land Revenue, if the limits were exceeded by the imposition of additional burdens on agriculture.

The late Marquis of Salisbury was Secretary of State for India in 1875. His deep insight in matters to which he devoted his attention is well known. And he condemned the weakness and the one-sidedness of the Indian Fiscal policy in a Minute recorded in 1875, which is often cited. "So far," his lordship wrote,

“as it is possible to change the Indian Fiscal system, it is desirable that the cultivator should pay a smaller proportion of the whole national charge. It is not in itself a thrifty policy to draw the mass of revenue from the rural districts, where capital is scarce, sparing the towns where it is often redundant and runs to waste in luxury. The injury is exaggerated in the case of India where so much of the revenue is exported without a direct equivalent. As India must be bled, the lancet should be directed to the parts where the blood is congested, or at least sufficient, not to those which are already feeble from the want of it.”

Lord Salisbury's warning has been disregarded. And while we hear so much of the prosperous budgets and surpluses since the value of the rupee was fixed at 1s. 4d., no advantage has been taken of this seeming prosperity to relieve agriculture. Not one of the special taxes on land, imposed in addition to the Land Revenue since 1871, has been repealed.

It will appear from these facts, which I have mentioned as briefly as possible, that agriculture, as a source of the nation's income, has not been widened under British administration. Except where the Land Revenue is permanently settled, it is revised and enhanced at each new settlement, once in thirty years or once in twenty years. It professes to take 50 per cent. of the rental or of the economic rent, but virtually takes a much larger share in Bombay and Madras. And to it are added other special taxes on land which can be enhanced indefinitely at the will of the State. The Land Assessment is thus excessive, and it is also uncertain. Place any country in the world under the operation of these rules, and agriculture will languish. The cultivators of India are frugal, industrious, and peaceful ; but they are never-

theless impoverished, resourceless, always on the brink of famines and starvation. This is not a state of things which Englishmen can look upon with just pride. It is precisely the state of things which they are remedying in Ireland. It is a situation which they will not tolerate in India when they have once grasped it.

If we turn from the sources of wealth to its distribution, and to the financial arrangements of India, the same melancholy picture is presented to us. The total revenues of India during the last ten years of the Queen's reign—1891—92 to 1900—1—came to 647 millions sterling. The annual average is thus under 65 millions, including receipts from railways, irrigation works, and all other sources. The expenditure in England during these ten years was 159 millions, giving an annual average of nearly 16 millions sterling. One-fourth, therefore, of all the revenues derived in India, is annually remitted to England as Home Charges. And if we add to this the portion of their salaries which European officers employed in India annually remit to England, the total annual drain out of the Indian Revenues to England considerably exceeds 20 millions. The richest country on earth stoops to levy this annual contribution from the poorest. Those who earn £42 per head ask for 10s. per head from a nation earning £2 per head. And this 10s. per head which the British people draw from India impoverishes Indians, and therefore impoverishes British trade with India. The contribution does not benefit British commerce and trade, while it drains the life-blood of India in a continuous, ceaseless flow.

For when taxes are raised and spent in a country, the money circulates among the people, fructifies trades, industries, and agriculture, and in one shape or another reaches the mass of the people. But when the taxes raised in a country are remitted out of it, the money is

lost to the country for ever, it does not stimulate her trades or industries, or reach the people in any form. Over 20 millions sterling are annually drained from the revenues of India ; and it would be a miracle if such a process, continued through long decades, did not impoverish even the richest nation upon earth.

ROMESH DUTT.



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# INDIAN

## TRADE, MANUFACTURE & FINANCE

### CHAPTER I.

#### TRADE IN THE EIGHTEENTH CENTURY.

IN the eighteenth century, the transit of goods by roads and navigable rivers was subject to inland duties in India, as in other parts of the world. The East India Company had, however, obtained a Firman, or royal order, exempting their export and import trade from these payments. The goods which the Company imported from Europe, and those which they purchased in India for export to Europe, were thus permitted to pass through the country without duties. A Dustuck, or certificate, signed by the English President or by chiefs of English factories, was shown at the toll-houses, and protected the Company's merchandise from all duties.

The victory of Plassy in 1757 raised the prestige of the British nation in Bengal; and the servants of the East India Company, engaged in the inland trade of Bengal on their own account, now claimed as private traders that exemption from duties which had been granted only for the import and export trade of the Company. It is necessary to understand this point clearly, because it underlies the economic, commercial, and political history of Bengal during the succeeding years.

The Nawabs of Bengal recognised the right granted to the Company to carry on the Company's *import and export trade* duty-free; but the servants of the Company, who had taken to private trade on their own account, conveyed goods from one part of Bengal to



another, and claimed exemption from duties for this *private inland trade*.

After the battle of Plassy, Clive had made Mir Jafar Nawab of Bengal in 1757. Mir Jafar made an incompetent ruler, and was unable to fulfil his engagements to the British. He was accordingly set aside in 1760, and Mir Kasim was set up as Nawab. The new Nawab agreed to assign the revenues of three districts—Burdwan, Midnapur, and Chittagong—to the East India Company; and he also agreed to pay the balance which Mir Jafar had left unpaid, and to make a present of five lakhs of Rupees (£50,000) as a contribution towards the Company's wars in Southern India. Mir Kasim faithfully fulfilled these engagements, and in less than two years discharged all his pecuniary obligations to the British.

But the difficulty about the inland trade increased from year to year. The Company's servants conveyed their goods from place to place duty-free, while the goods of the country merchants were heavily taxed in the transit. The country traders were ruined; the Nawab's revenues declined; and the servants of the Company monopolised the trade and reared colossal fortunes.

Henry Vansittart, who succeeded Clive as Governor in 1760, marked the growing evil and described its causes.

"With respect to trade, no new privileges were asked of Meer Jaffier; none indeed were wanted by the Company, who were contented with the terms granted them in 1716, and only wished to be relieved from the impositions to which they had been exposed from the arbitrary power of the Nawab. However, our influence over the country was no sooner felt than many innovations were practised by some of the Company's servants, or the people employed under their authority. They began to trade in the articles which

were before prohibited, and to interfere in the affairs of the country." \*

Mr. Verelst, who afterwards succeeded as Governor, also wrote to the same effect.

"A trade was carried on without payment of duties, in the prosecution of which infinite oppressions were committed. English agents or Gomastahs, not contented with injuring the people, trampled on the authority of government, binding and punishing the Nabob's officers whenever they presumed to interfere. This was the immediate cause of the war with Meer Cossim."†

The Nawab Mir Kasim himself presented a strong remonstrance to the English Governor against the oppressions of the Company's servants.

"From the factory of Calcutta to Cossim Bazar, Patna, and Dacca, all the English chiefs, with their Gomastahs, officers, and agents, in every district of the government, act as Collectors, Renters, Zemindars, and Taalookdars, and setting up the Company's colours, allow no power to my officers. And besides this, the Gomastahs and other servants in every district, in every Gunge, Perganah, and Village, carry on a trade in oil, fish, straw, bamboos, rice, paddy, betel-nut, and other things; and every man with a Company's Dusstuck in his hand regards himself as not less than the Company."‡

Mir Kasim's complaints were not unfounded; and Ellis, the Company's agent at Patna, made himself specially obnoxious to the Nawab by his hostile attitude. An Armenian merchant had been accused of purchasing a small quantity of saltpetre for the use of the Nawab; this was deemed an infringement of the Company's rights, and Ellis had him seized and sent

\* *A Narrative of the Transactions in Bengal*, vol. i. p. 34.

† *View of Bengal*, p. 48.

‡ *Mir Kasim's Letter*, dated 26th March 1762.

in irons to Calcutta. Two deserters from the British army were supposed to have taken shelter in the Nawab's fort of Monghyr. Ellis sent his soldiers to search the fort, but no deserters were found. Warren Hastings, then a member of the Governor's Council, felt the impropriety of such defiance of the Nawab's authority, and foresaw an open rupture.

"With regard to Mr. Ellis, I am at a loss to act ; his behaviour, in my opinion, has been so imprudent and his disaffection to the Nabob so manifestly inveterate, that a proper representation of it cannot fail to draw upon it the severest resentment of the Company. . . . The world, judging only from facts, sees the Nabob's authority publicly insulted, his officers imprisoned, Sepoys sent against his forts, and is told that the Chief of the English in these parts disavows the Nabob's right to the Subahship. The obvious end of such symptoms is an open rupture."\*

It is to the credit of Warren Hastings that he consistently protested against the claims of the Company's servants to carry on their private trade duty-free, and deplored the ruin which was thus caused to the trade of the people of Bengal. His eyes were not blinded by self-interest, and his natural leaning towards his own countrymen did not prevent him from condemning in the strongest terms the injustice done to the people of Bengal.

"I beg leave to lay before you a grievance which loudly calls for redress, and will, unless duly attended to, render ineffectual any endeavours to create a firm and lasting harmony between the Nabob and the Company. I mean the oppression committed under the sanction of the English name. . . . I have been surprised to meet with several English flags flying in places which I have passed, and on the river I do not

\* Letters of Hastings to the Governor, dated 13th and 26th May 1762.

believe I passed a boat without one. By whatever title they have been assumed (for I could trust to the information of my eyes without stopping to ask questions), I am sure their frequency can bode no good to the Nabob's revenues, the quiet of the country, or the honour of our nation, but evidently tends to lessen each of them. A party of Sepoys who were on the march before us afforded sufficient proofs of the rapacious and insolent spirit of those people where they are left to their own discretion. Many complaints against them were made me on the road, and most of the petty towns and Serais were deserted at our approach and the shops shut up from the apprehensions of the same treatment from us. You are sensible, sir, that it is from such little irregularities, too trivial perhaps for public complaint and continually repeated, that the country people are habituated to entertain the most unfavourable notions of our government."\*

Hastings had been long in India, and was not mistaken in speaking of the unfavourable opinion entertained by the people of the administration of the Company's servants. The writer of the well-known chronicle known as *Siyar Mutakharin*, while admiring the conduct of the British troops on the field of battle, gives us a lamentable picture of their civil administration.

"They [the English] join the most resolute courage to the most cautious prudence ; nor have they their equals in the art of ranging themselves in battle array and in fighting order. If to so many military qualifications they knew how to join the arts of government ; if they showed a concern for the circumstances of the husbandman and the gentleman, and exerted as much ingenuity and solicitude in the relieving and easing

the people of God as they do in whatever concerns their military affairs, no nation in the world would be preferable to them or prove worthier of command. But such is the little regard which they show to the people of these kingdoms, and such their apathy and indifference for their welfare, that the people under their dominion groan everywhere, and are reduced to poverty and distress. O God ! come to the assistance of thine afflicted servants, and deliver them from the oppressions they suffer."\*

The Nawab of Bengal continued to mark just but futile complaints to the English Governor.

"In every Perganah, every village, and every factory, they [the Company's Gomastahs] buy and sell salt, betel-nut, ghee, rice, straw, bamboos, fish, gunnies ginger, sugar, tobacco, opium, and many other things, more than I can write, and which I think it needless to mention. They forcibly take away the goods and commodities of the Reiat, merchants, &c., for a fourth part of their value ; and by ways of violence and oppressions they oblige the Reiat, &c., to give five rupees for goods which are worth but one rupee. . . . The officers of every district have desisted from the exercise of their functions ; so that by means of these oppressions, and my being deprived of my duties, I suffer a yearly loss of nearly twenty-five lakhs of Rupees. . . . By the grace of God, I neither have transgressed, nor do, nor will transgress the treaty and agreement which I have made; why then do the chiefs of the Englishmen render my government contemptible and employ themselves in bringing a loss upon me?"†

A still more detailed account of the doings of the Company's Gomastahs is to be found in the letter of Sergeant Brego.

\* *Siyar Mutakharin*, vol. II. p. 101. Quoted in Mill's *History of British India*.

† Nawab's Letter, written May 1762.

“ A gentleman sends a Gomastah here to buy or sell ; he immediately looks upon himself as sufficient to force every inhabitant either to buy his goods or sell him theirs; and on refusal (in case of non-capacity) a flogging or confinement immediately ensues. This is not sufficient even when willing, but a second force is made use of, which is to engross the different branches of trade to themselves, and not to suffer any person to buy or sell the articles they trade in ; and if the country people do it, then a repetition of their authority is put in practice ; and again, what things they purchase, they think the least they can do is to take them for a considerable deal less than another merchant, and often times refuse paying that ; and my interfering occasions an immediate complaint. These, and many other oppressions more than can be related which are daily used by the Bengal Gomastahs, is the reason that this place [Backerjunj, a prosperous Bengal district] is growing destitute of inhabitants ; every day numbers leave the town to seek a residence more safe, and the very markets, which before afforded plenty, do hardly now produce anything of use, their peons being allowed to force poor people ; and if the Zemindar offers to prevent it, he is threatened to be used in the same manner. Before, justice was given in the public Catcheree, but now every Gomastah is become a judge, and every one's house a Catcheree ; they even pass sentences on the Zemindars themselves, and draw money from them by pretended injuries, such as a quarrel with some of the peons, or their having, as they assert, stole something, which is more likely to have been taken by their own people.”\*

A similar detailed account is given in the letter of Mahomed Ali, Collector of Dacca, to the English Governor at Calcutta.

“ In the first place, a number of merchants have made interest with the people of the factory, hoist English colours on their boats, and carry away their goods under the pretence of their being English property, by which means the Shah-bunder and other customs are greatly determined. Secondly, the Gomastahs of Luckypoor and Dacca factories oblige the merchants, &c., to take tobacco, cotton, iron, and sundry other things, at a price exceeding that of the bazaar, and then extort the money from them by force ; besides which they take diet money for the peons, and make them pay a fine for breaking their agreement. By these proceedings the Aurungs and other places are ruined. Thirdly, the Gomastahs of Luckypoor factory have taken the Talookdars' talooks [the farmers' farms] from the Tahsildar by force for their own use, and will not pay the rent. At the instigation of some people they, on a matter of complaint, send Europeans and Sepoys, with a Dustuck, into the country, and there create disturbances. They station chowkeys [toll-houses] at different places, and whatever they find in poor people's houses they cause to be sold, and take the money. By these disturbances the country is ruined, and the Reiat cannot stay in their own houses, nor pay the malguzaree [rents]. In many places Mr. Chevalier has, by force, established new markets and new factories, and has made false Sepoys on his own part, and they seize whom they want and fine them. By his forcible proceedings many hauts, gauts, and perganas [markets, landing-places, and fiscal divisions] have been ruined.”\*

While the entire inland trade of Bengal was thus disorganised by the Company's servants and their agents in every important district, the methods by which they secured the manufactures to themselves were equally oppressive. These are fully described by William

Bolts, an English merchant who saw things with his own eyes.

“ It may with truth be now said that the whole inland trade of the country, as at present conducted, and that of the Company's investment for Europe in a more peculiar degree, has been one continued scene of oppression ; the baneful effects of which are severely felt by every weaver and manufacturer in the country, every article produced being made a monopoly ; in which the English, with their Banyans and black Gomastahs, arbitrarily decide what quantities of goods each manufacturer shall deliver, and the prices he shall receive for them. . . . Upon the Gomastah's arrival at the Aurung, or manufacturing town, he fixes upon a habitation which he calls his Catcherry ; to which, by his peons and hircarais, he summons the brokers, called dallals and pykars, together with the weavers, whom, after receipt of the money despatched by his masters, he makes to sign a bond for the delivery of a certain quantity of goods, at a certain time and price, and pays them a certain part of the money in advance. The assent of the poor weaver is in general not deemed necessary ; for the Gomastahs, when employed on the Company's investment, frequently make them sign what they please ; and upon the weavers refusing to take the money offered, it has been known they have had it tied in their girdles, and they have been sent away with a flogging. . . . A number of these weavers are generally also registered in the books of the Company's Gomastahs, and not permitted to work for any others, being transferred from one to another as so many slaves, subject to the tyranny and roguery of each succeeding Gomastah. . . . The roguery practised in this department is beyond imagination ; but all terminates in the defrauding of the poor weaver ; for the prices which the Company's Gomastahs, and in confederacy with them the Jachendars [examiners of fabrics] fix upon



the goods, are in all places at least 15 per cent., and some even 40 per cent. less than the goods so manufactured would sell in the public bazaar or market upon free sale. . . . Weavers, also, upon their inability to perform such agreements as have been forced upon them by the Company's agents, universally known in Bengal by the name of Mutchulcahs, have had their goods seized and sold on the spot to make good the deficiency; and the winders of raw silk, called Nagoads, have been treated also with such injustice, that instances have been known of their cutting off their thumbs to prevent their being forced to wind silk."\*

Not the industries alone, but agriculture also declined in Bengal under this system; for the manufacturers of the country were largely peasants as well.

"For the Ryots, who are generally both landholders and manufacturers, by the oppressions of Gomastahs in harassing them for goods are frequently rendered incapable of improving their lands, and even of paying their rents; for which, on the other hand, they are again chastised by the officers of the revenue, and not unfrequently have by those harpies been necessitated to sell their children in order to pay their rents, or otherwise obliged to fly the country."†

These extracts are enough. They have been made from different sources,—from the letters and writings of an English Governor, an English Member of Council, and an English merchant, as well as from the complaints of the Nawab himself, the report of a Mahomedan collector, and the chronicles of a Mahomedan historian. And all these records tell the same melancholy tale. The people of Bengal had been used to tyranny, but had never lived under an oppression so far reaching in its effects, extending

\* *Considerations on India Affairs* (London, 1772), p. 191 to 194.

† *Ibid.*

to every village market and every manufacturer's loom. They had been used to arbitrary acts from men in power, but had never suffered from a system which touched their trades, their occupations, their lives so closely. The springs of their industry were stopped, the sources of their wealth were dried up.

There were two Englishmen in Bengal who endeavoured to put a stop to this state of things ; they were Henry Vansittart and Warren Hastings. They came to Monghyr to see the Nawab Mir Kasim, and to settle matters amicably. Mir Kasim was a despot, but he was clear-sighted. He had proved himself strong and self-willed, but he knew himself powerless against the Company, and he felt that Vansittart and Hastings were his only friends. He made concessions where concessions were demanded, and the three came to an agreement.

The terms of the agreement were recorded under nine heads,\* the first three being most important. They were that—

(1) For all trade, import or export, by shipping, the Company's Dustuck should be granted, and it should pass unmolested and free of the customs.

(2) For all trade from one place within the country to another, in commodities produced in the country, the Company's Dustuck should be granted.

(3) That duties should be paid on such commodities according to rates which shall be particularly settled and annexed to the agreement.

Nothing could be more equitable than this agreement, but it aroused an outburst of indignation in Calcutta. Amyatt, Hay, and Watts recorded on the 17th January 1763, " that the regulations proposed by him

\* See *Mongheer Treaty* in the Third Report of the House of Commons Committee on the Nature, &c., of the East India Company, 1773, Appendix, p. 361.

[Vansittart] are dishonourable to us as Englishmen, and tend to the ruin of all public and private trade." The General Council met on the 15th February. A solemn consultation was held on the 1st March. It was determined (Vansittart and Hastings dissenting) that the Company's servants had the right to carry on the internal trade duty-free; and that, as an acknowledgment to the Nawab, a duty of  $2\frac{1}{2}$  per cent. would be paid on salt alone, instead of 9 per cent. on all articles, to which Vansittart had agreed.

This was the decision of selfish men fighting for their selfish interests. The dissentient opinion of Warren Hastings was that of a just man pleading for justice. One passage from Hastings' long statement should be quoted and remembered.

"As I have formerly lived among the country people, in a very inferior station, and at a time when we were subject to the most slavish dependence in the Government, and met with the greatest indulgence, and even respect, from the Zemindars and officers of the Government, I can with the greatest confidence deny the justice of this opinion; and add further, from repeated experience, that if our people, instead of erecting themselves into lords and oppressors of the country, confine themselves to an honest and fair trade, and submit themselves to the lawful authority of the Government, they will be everywhere courted and respected, and the English name, instead of becoming a reproach, will be universally revered; the country will reap a benefit from our commerce; and the power of the English, instead of being made a bugbear to frighten the poor inhabitants into submission to injury and oppression, will be regarded by them as the greatest blessing and protection."\*

\* Fourth Report of the House of Commons Committee, 1773, Appendix, p. 486.

Nawab Mir Kasim heard of the rejection of the Agreement by the Calcutta Council, and of the resistance offered to his officers in the execution of his orders in accordance with the Agreement. In his noble indignation, Mir Kasim did one of the best and most benevolent acts which have ever been done by any king or ruler in the East. He sacrificed his revenues and abolished all inland duties, so that his subjects might at least trade on equal terms with the servants of the East India Company.

It is scarcely possible to believe, but it is nevertheless the fact, that the Calcutta Council, with the exception of Vansittart and Hastings, protested against this repeal of all duties as a breach of faith towards the English nation! "The conduct of the Company's servants upon this occasion," says James Mill in his History of British India, "furnishes one of the most remarkable instances upon record of the power of interest to extinguish all sense of justice, and even of shame." "There can be no difference of opinion," adds H. H. Wilson in his note, "on the proceedings. The narrow-sighted selfishness of commercial cupidity had rendered all Members of the Council, with the two honourable exceptions of Vansittart and Hastings, obstinately inaccessible to the plainest dictates of reason, justice, and policy."

The dissentients, Vansittart and Hastings, recorded their opinion pointedly, and argued that "although it may be for our interests to determine that we will have all the trade in our hands, that we will employ all our own people to make salt, take every article of produce of the country off the ground . . . yet it is not to be expected that the Nabob will join us in endeavouring to deprive every merchant of the country of the means of carrying on their business." This puts before us clearly the issues which were involved. The Company's servants, in order to make private

fortunes for themselves, desired to deprive the population of a rich and civilised country of those sources of wealth which they had hitherto enjoyed under good and bad government alike, and those rights of free production and free barter which belong to all civilised communities on earth. The Company's servants desired not for a monopoly in one or two commodities, but for a distinction between their trade and the trade of the country merchants in all commodities, such as would eventually deprive the people of Bengal of one of the commonest rights of all human societies. History, perhaps, does not record another instance of foreign merchants asserting such far-reaching claims by the force of arms, in order to divert into their own hands virtually the entire trade of a great and populous country. Nawab Mir Kasim resisted the claims, and the result was war.

Henry Vansittart, who was Governor in Calcutta from 1760 to 1765, covering the entire period of Mir Kasim's administration of Bengal, thus sums up his opinion of that administration :

"He [Mir Kasim] discharged the Company's debt and the heavy arrears of his army, retrenched the expenses of his court, which had consumed the income of his predecessors, and secured his own authority over the country by reducing the power of the Zemindars, who were before continual disturbers of the peace of the province. All this I saw with pleasure, well knowing that the less need he had of our assistance, the less would be the Company's expenses, and the better able they would be to attend to the care of their own possessions ; at the same time that we might depend upon him as a sure and useful ally against any common enemy. I was convinced that whilst we did not encroach upon the Nabob's rights or disturb his government he would never wish to quarrel with us ; and, in effect, so cautious was he of giving occasion for

dispute, that not one instance can be produced of his sending a man into any of the lands ceded to us, or molesting us in a single article of our commerce, till the contention which he was drawn into by the usurpation of our Gomastahs and our new claims with respect to our private trade, and even to the breaking out of the war during the height of our disputes, the Company's business, in every part, went on without the least interruption, excepting one or two aggravated complaints of Mr. Ellis's concerning the saltpetre business. How different was the conduct of the gentlemen who had formed themselves into a party against him ! From the time of his advancement to the Subahship, scarce a day passed but occasion was taken from the most trifling pretences to trample on his government, to seize his officers, and to insult them with threats and invectives. I need not point out instances of this, they will be seen in every page of this narrative."\*

It is not the purpose of the present work to narrate the military transactions of the East India Company. The issue of the war with Mir Kasim in 1763 was never doubtful for a moment. Mir Kasim fought better than any Indian prince or army had ever fought in Bengal against the English, but was beaten at Gheria and then at Uday-Nala. In a fit of fury he caused the English prisoners at Patna to be massacred, and then left his dominions for ever. Old Mir Jafar, who had been set aside in 1760, was now set up again as Nawab. But he died shortly after ; and his illegitimate son, Najim-ud-Daula, was hastily created Nawab in 1765.

Every occasion for setting up a new Nawab was considered a suitable opportunity for shaking the proverbial pagoda-tree of the East. When Mir Jafar was

*first made Nawab after the battle of Plassy in 1757, the British officers and troops had received a bonus of £1,238,575, out of which Clive himself had taken £31,500 besides a rich jaigir or estate in Bengal. When Mir Kasim was made Nawab in 1760, the presents to the British officers came to £200,269, out of which Vansittart had taken £58,333. When Mir Jafar was made Nawab a second time in 1763, the presents amounted to £500,165. And now, when Najim-ud-Daula was set up in 1765, further presents came in to the extent of £230,356. Besides these sums received in presents, amounting within eight years to £2,169,665, further sums were claimed and obtained as restitution within this period amounting to £3,770,833.\**

The receipt of these sums was proved or acknowledged before the House of Commons Committee which inquired into the condition of the East India Company in 1772—73. Clive justified his own conduct.

"I never sought to conceal it, but declared publicly in my letters to the Secret Committee of the India Directors that the Nabob's generosity had made my fortune easy, and that the Company's welfare was now my only motive for staying in India, . . . What pretence could the Company have to expect, that I, after having risked my life so often in their service, should deny myself the only opportunity ever offered of acquiring a fortune without prejudice to them, who it is evident would not have had more for my having had less?"†

It never struck Clive that the treasure belonged neither to the Company nor to him, but to the country, and should have been devoted to the good of the people.

\* House of Commons Committee's Third Report, 1773, p. 311.

† House of Commons Committee's First Report, 1772, p. 148.

It is due, however, to the East India Company to state that they set their face against these exactions recovered under the name of presents, and condemned also the internal trade carried on by their servants in Bengal. In 1765 they sent out orders against the receipt of presents, and despatched Clive once more to put a stop to the internal trade of their servants which they had already prohibited. The orders had arrived in Bengal, and the covenants to be signed by the Company's servants were shortly expected. There was no time to lose, so the Calcutta Council hastily set up Najim-ud-Daula and reaped their last harvest of presents.



## CHAPTER II.

### ECONOMIC DRAIN IN THE EIGHTEENTH CENTURY.

THE year 1765 marks a new epoch in the history of British India.

Lord Clive returned to India in that year for the third and last time, and obtained from the Great Moghal a charter making the East India Company the DEWAN or the administrators of Bengal. Though the Great Moghal had no real power, he was still the titular sovereign of India, and his charter gave the East India Company a legal status in the country.

Lord Clive had an arduous duty to perform. The Company's affairs were in a bad way; their servants were corrupt; their subjects were oppressed. It was Clive's endeavour to rectify all this within the brief period of his stay in India, and his letter to the Court of Directors from Calcutta, dated 30th September 1765, is one of the most memorable documents contained in the published volumes on Indian affairs. In this letter Lord Clive described the state of affairs as he found them on his last arrival in India, and also the measures he adopted to put things into order. It is necessary to describe Clive's work in Clive's own words.

"2. Upon my arrival, I am sorry to say, I found your affairs in a condition so nearly desperate as would have alarmed any set of men whose sense of honour and duty to their employers had not been estranged by the too eager pursuit of their own advantage. The sudden, and, among many, the unwarrantable acquisi-

tion of riches, had introduced luxury in every shape and in the most pernicious excess. These two enormous evils went hand in hand together through the whole Presidency, infecting almost every member of each Department; every inferior seemed to have grasped at wealth that he might be able to assume that spirit of profusion which was now the only distinction between him and his superior. . . . It is no wonder that the lust of riches should readily embrace the proffered means of its gratification, or that the instruments of your power should avail themselves of their authority, and proceed even to extortion in those cases where simple corruption could not keep pace with their rapacity. Examples of this sort, set by superiors, could not fail of being followed in proportionable degree by inferiors; the evil was contagious, and spread among the civil and military, down to the writer, the ensign, and the free merchant. . . .

“9. Two paths were evidently open to me; the smooth one, and strewed with abundance of rich advantages that might be easily picked up; the other untrodden, and every step opposed with obstacles. I might have taken charge of the government upon the same footing on which I found it; that is, I might have enjoyed the name of Governor, and have suffered the honour, importance, and dignity of the post to continue in their state of annihilation. . . . An honourable alternative, however, lay before me; I had the power within my own breast to fulfil the duty of my station, by remaining incorruptible in the midst of numberless temptations artfully thrown in my way; by exposing my character to every attack which malice or resentment is apt to invent against any man who attempts reformation; and by encountering, of course, the odium of the settlement. I hesitated not a moment which choice to make; I took upon my shoulders a burden which requires resolution, perseverance, and

constitution to support. Having chosen my part, I was determined to exert myself in the attempt, happy in the reflexion that the honour of the nation, and the very being of the Company would be maintained by the success. . . .

“ 12. The sources of tyranny and oppression, which have been opened by the European agents acting under the authority of the Company's servants, and the numberless black agents and sub-agents acting also under them, will, I fear, be a lasting reproach to the English name in this country. . . . I have at last, however, the happiness to see the completion of an event, which, in this respect as well as in many others, must be productive of advantages hitherto unknown, and at the same time prevents abuses that have hitherto had no remedy: I mean the Dewanee, which is the superintendency of all the lands and the collection of all the revenues of the Provinces of Bengal, Behar, and Orissa. The assistance which the Great Moghal had received from our arms and treasury made him readily bestow this grant upon the Company; and it is done in the most effectual manner you can desire. The allowance for the support of the Nabob's dignity and power, and the tribute to His Majesty [the Great Moghal] must be regularly paid; the remainder belongs to the Company. . . .

“ 13. Your revenues, by means of this acquisition, will, as near as I can judge, not fall far short for the ensuing year of 250 lacks of Sicca Rupees, including your former possessions of Burdwan, &c. Hereafter they will at least amount to twenty or thirty lacks more. Your civil and military expenses in time of peace can never exceed sixty lacks of Rupees; the Nabob's allowances are already reduced to forty-two lacks and the tribute to the King [the Great Moghal] at twenty-six; so that there will be remaining a clear gain to the Company of 122 lack of Sicca Rupees, or £1,650,900 sterling. . . .

" 16. A competency ought to be allowed to all your servants from the time of their arrival in India, and advantages should gradually increase to each in proportion to his station. . . . This certainty would arise from the freight-ships, from the privileges of trade (the advantages of which you are not unacquainted with), and also upon the profits upon salt, betel, and tobacco, agreeable to the new regulation which we have made in order to rectify the abuses that have been so long committed. . . .

" 19. Having now fully submitted to you my sentiments on the Civil Department, permit me to trouble you with a few observations on the Military. . . . The evil I mean to apprise you is of the encroachment of the military upon the civil jurisdiction and an attempt to be independent of their authority. . . . The whole Army should in like manner be subordinate to the Civil Power. If at any time they should struggle for superiority, the Governor and council must strenuously exert themselves, ever mindful that they are the trustees of the Company in this settlement, and the guardians of public property under a civil institution.

" 26. Permit me now to remind you that I have a large family who stand in need of a father's protection, that I sacrifice my health and hazard my fortune with my life by continuing in this climate. . . . I now only wait to be informed whether my conduct thus far be approved of, and whether the whole or part of the regulations I have had the honour to lay before you are conformable to your ideas of the reformation necessary to be established. If they meet with your approbation, I doubt not you will immediately empower me, in conjunction with the Select Committee, to finish the business so successfully begun, which may easily be effected before the end of the ensuing year : when I am determined to return to

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Europe, and hope to acquaint you in person with the accomplishment of every wish you can form for the prosperity of your affairs in Bengal."\*

We have here in Clive's own language an account of a transaction which marks an important step in the rise of British power in India. Hitherto the British had appeared only as traders in India, and though they had virtually been the masters of Bengal since the battle of Plassy in 1757, nevertheless it was the concession of the Dewani by the titular Emperor of Delhi in 1765 which gave the East India Company a legal status in India, and formally imposed upon them the duties of the administration of Bengal. How Lord Clive proposed to perform those duties has been described in his own words. His endeavours to introduce reforms both in the civil and military administration deserve all the praise that has been bestowed upon them by historians; but when we examine the essential features of his scheme, we find that it was framed—as so many schemes have since been framed in India—mainly in the interests of the British rulers, and not in the interests of the people. The whole of Bengal was considered as an estate, a source of profit to the East India Company.

The taxes raised from thirty millions of people were, after deduction of expenses and allowances, not to be spent in the country and for the benefit of the country, but to be sent to England as profits of the Company. An annual remittance of over a million and a half sterling was to be made from a subject country to the shareholders in England. A stream of gold was to flow perennially from the revenues of a poor nation to add to the wealth of the richest nation on the face of the earth.

We thus find that the very first scheme which

\* House of Commons Committee's Third Report, 1773, Appendix, p. 391-393.

was framed by British rulers for the administration of India involved that fatal Economic Drain which has now swelled to an annual remittance of many millions sterling. The victory of British arms in India, the organised rule introduced into that country by the British, the maintenance of peace, the dispensation of justice, and the spread of western education, deserve all the praise which has been bestowed upon them. But the financial relations between India and England have always from the very commencement been unfair ; and India, with her vast resources, her fertile soil, and her industrious population, is now the poorest country on earth after a century and a half of British rule.

Not content with securing an annual profit of over a million and a half for the Company, Lord Clive insisted on keeping up the inland trade of Bengal for the profit of the Company's servants. He devised measures to do away with the oppression incident to this private trade ; but the trade itself had been lucrative to Englishmen in Bengal, and Lord Clive would not give it up. Indeed, so determined was Lord Clive to continue the inland trade in salt, betel-nut, and tobacco, in spite of the known opposition of his masters, the East India Company, that on the 18th September 1765 he executed an indenture, jointly with other servants of the Company, to carry on the trade regardless of the orders of the Company.

On receipt of Lord Clive's important letter of the 30th September, the Court of Directors sent a reply to the Calcutta Committee, dated the 17th May 1766, and also a separate letter to Lord Clive, bearing the same date. The Directors thanked Lord Clive in warm terms for the great services rendered by him, and intimated their acceptance of the Dewani, or the administration of Bengal, Behar and Orissa. But it is greatly to the credit of the Directors that they

declined to approve of that scheme of inland trade which had been drawn up by Clive.

“ Our letter to the Select Committee expresses our sentiments of what has been obtained by way of donations ; and to that we must add, that we think vast fortunes acquired in the inland trade have been obtained by a scene of the most tyrannic and oppressive conduct that was ever known in any age or country. We have been uniform in our sentiments and orders on this subject, from the first knowledge we had of it ; and your Lordship will not therefore wonder that, after the fatal experience we had of the violent abuses committed in this trade, that we could not be brought to approve of it, even in the limited and regulated manner with which it comes to us in the plan laid down in the Committee’s proceedings.”\*

The Directors had never spoken ambiguously on the subject of the inland trade carried on by the Company’s servants. In their letter of the 8th February 1764 they had prohibited such inland trade ; and in their letter of the 15th February 1765 they had repeated their prohibition in the strongest manner ; but their orders had been disregarded by their servants in India. Now, in their letter of 17th May 1766, they refused to sanction Clive’s scheme for continuing the trade under the regulations framed by him. But this order too was disregarded, and under the pretence of contracts formed and advances made, the inland trade was continued for two years more.

Lord Clive left India in 1767, and was succeeded as Governor by Verelst, who ruled until 1770 ; and he was succeeded by Cartier, who was Governor until 1772. The five years’ administration of Verelst and Cartier was a continuation of the misgovernment from which Bengal had suffered during the preceding years.

\* House of Commons Committee’s Third Report, 1773. Appendix, p. 400.

The scheme of administration introduced by Clive was a sort of dual government. The collection of revenues was still made for the Nawab's exchequer ; justice was still administered by the Nawab's officers ; and all transactions were covered by the mask of the Nawab's authority. But the East India Company, the real masters of the country, derived all the profits ; and the Company's servants practised unbounded tyranny for their own gain, overawing the Nawab's servants, and converting his tribunals justice into instruments for the prosecution of their own purposes. The English Governor saw this and condemned it, but was unable to remedy the state of affairs.

" We insensibly broke down the barrier betwixt us and Government, and the native grew uncertain where his obedience was due. Such a divided and complicated authority gave rise to oppressions and intrigues unknown at any other period ; the Officers of Government caught the infection, and being removed from any immediate control, proceeded with still greater audacity."\*

Agriculture had always been the main source of the subsistence of the people of Bengal ; but it declined under the new system of land settlements introduced by the Company's servants. From very ancient times the soil of Bengal was held by Zemindars or hereditary landlords, armed with quasi-feudal powers, paying revenues and rendering military service to the Nawab in times of need, and virtually ruling the people within their own estates. They were recognised as Rajas by their subjects and tenants ; they maintained order, settled disputes, and punished crimes ; they encouraged religion and rewarded piety ; they fostered arts and learning, and were the patrons of letters. Arbitrary Nawabs, like Murshed Kuli in the seventeenth century

\* Governor Verelst's Letter to the Directors, dated 16th December 1769.



and Mir Kasim in the eighteenth century, had "squeezed" the Zemindars with an iron hand, but had seldom ousted them from the estates which were considered hereditary by custom. The Company's servants, however, introduced a new system in Burdwan and Midnapur soon after they had acquired those districts from Mir Kasim in 1760; they disregarded the customary rights of the Zemindars, and sold their estates by public auction to increase the revenue, with the most lamentable results.

"In the provinces of Burdwan and Midnapur, of which both the property and jurisdiction were ceded to the Company by Mir Kasim in the year 1760, those evils which necessarily flowed from the bad policy of the Moorish Government had in no sort decreased. On the contrary, a plan was adopted in 1762 productive of certain ruin to the province. The lands were let by public auction for the short term of three years. Men without fortune or character became bidders at the sale; and while some of the former farmers, unwilling to relinquish their habitations, exceeded perhaps the real value in their offers, those who had nothing to lose advanced yet further, wishing at all events to obtain an immediate possession. Thus numberless harpies were let loose to plunder, whom the spoil of a miserable people enabled to complete their first year's payment."\*

We shall see farther on that this new and oppressive system was subsequently extended all over Bengal by Warren Hastings, and caused the greatest discontent, disorder, and suffering. Throughout the administration of Verelst and Cartier the land revenue was exacted with the utmost rigour in order to meet the East India Company's demands.

"It was therefore to be wished," wrote Governor

\* *First of the Rise, &c., of the English Government in Bengal*, by Harry Verelst, Esq., Late Governor of Bengal, London, 1772, p. 70.

Verelst to the Court of Directors, "and was more than once proposed, that when their lands came under our management, we had lowered for a time the stated rents of most districts, as an incitement to cultivation and improvement, rather than have made the smallest attempt to increase. . . . Permit me to give you my most serious opinion, founded on almost nineteen years' experience in the various branches of your revenues, and in various districts of your possessions, that it is totally beyond the power of your administration to make any material addition to your rents."\*

Trade and manufacture declined under a system of monopoly and coercion. The Directors of the East India Company had tried to check their servants, but they themselves now perpetrated a greater offence. British weavers had begun to be jealous of the Bengal weavers, whose silk fabrics were imported into England, and a deliberate endeavour was now made to use the political power obtained by the Company to discourage the manufactures of Bengal in order to promote the manufactures of England. In their general letter to Bengal, dated 17th March 1769, the Company desired that the manufacture of raw silk should be encouraged in Bengal, and that of manufactured silk fabrics should be discouraged. And they also recommended that the silk-winders should be forced to work in the Company's factories, and prohibited from working in their own homes.

"This regulation seems to have been productive of very good effects, particularly in bringing over the winders, who were formerly so employed, to work in the factories. Should this practice [the winders working in their own homes] through inattention have been suffered to take place again, it will be proper to put a stop to it, which may now be more effectually done, by

\* Letter to the Court of Directors, dated 26th September 1768.

an absolute prohibition under severe penalties ; by the authority of the Government."\*

"This letter," as the Select Committee justly remarked, "contains a perfect plan of policy, both of compulsion and encouragement, which must in a very considerable degree operate destructively to the manufactures of Bengal. Its effects must be (so far as it could operate without being eluded) to change the whole face of that industrial country, in order to render it a field of the produce of crude materials subservient to the manufactures of Great Britain." †

We shall see, as we proceed farther, that this continued to be the settled policy of England towards India for fifty years and more ; that it was openly avowed before the House of Commons and vigorously pursued till 1833 and later ; and that it effectually stamped out many of the national industries of India for the benefit of English manufactures.

But perhaps the greatest evil from which the country suffered was the continuous Economic Drain from Bengal, which went on year after year for the profit of the Company, or for their expenses in other parts of the world. A statement of the revenues and expenses of Bengal during the first six years after the grant of the Dewani to the East India Company is given in the Fourth Report of the House of Commons, 1773, from which the figures on the next page are compiled : ‡

\* Ninth Report of the House of Commons Select Committee on Administration of Justice in India, 1783, Appendix, 37.

† Ninth Report, 17 3, p. 64.

‡ Fourth Report, 1773, p. 535.

Year.	Gross collection.	Nett revenues after deducting tribute to the Great Moghal, allowance to the Nawab, charges of collection, salaries, commissions, &c.	Total expenses, civil, military, buildings, fortifications, &c.	Nett annual balance.
May April	£	£	£	£
1765 to 1766	2,258,227	1,681,427	1,210,360	471,067
1766 „ 1767	3,805,817	2,527,594	1,274,093	1,253,501
1767 „ 1768	3,608,009	2,359,005	1,487,383	871,622
1768 „ 1769	3,787,207	2,402,191	1,573,129	829,062
1769 „ 1770	3,341,976	2,089,368	1,752,556	336,812
1770 „ 1771	3,332,343	2,007,176	1,732,088	275,088
Total ...	20,133,579	13,066,761	9,027,609	4,037,152

These figures show that nearly one-third of the nett revenues of Bengal was annually remitted out of the country. But the actual drain from the country was much larger. A large portion of the civil and military expenses consisted in the pay of European officials who sent all their savings out of India. And the vast fortunes reared by those who had excluded the country merchants from their legitimate trades and industries were annually sent out of India. The actual drain from Bengal is perhaps more correctly represented in the figures for imports and exports for the years 1766, 1767, and 1768, compiled by Governor Harry Verelst.\*

Imports.	Exports.
£624,375	£6,311,250

\* *View of the Rise, &c., of the English Government in Bengal*, Appendix, p. 117.

In other words, the country sent out about ten times what imported. Mr. Verelst himself saw the magnitude of the evil, and was never tired of describing its lamentable consequences on the material condition of the people of Bengal. 7003.

"Whatever sums had formerly been remitted to Delhi were amply reimbursed by the returns made to the immense commerce of Bengal. . . . How widely different from these are the present circumstances of the Nabob's dominions ! . . . Each of the European Companies, by means of money taken up in the country, have greatly enlarged their annual Investments, without adding a rupee to the riches of the province."\*

"The great demands which have been made on this Presidency for supplies of money from every quarter have reduced your treasury to a very low state, and alarm us for the consequences which must inevitably attend such a vast exportation from this country."†

"It will hardly be asserted that any country, however opulent, could long maintain itself, much less flourish, when it received no material supplies, and when a balance against it, of above one-third of its whole yearly value, was yearly incurred. But besides this, there are other concomitant circumstances, which have contributed to diminish the riches of the country, and must, if not remedied, soon exhaust them. I have observed that one great advantage the country formerly reaped was the diffusion of its revenues by large grants to different families, and by the expensive luxury of its governors. But now the whole amount of the lands is swallowed up in one gulf—your treasury; nor does any part of it return into the circulation except the sum issued from our Investment and necessary expenses."‡

\* Letter dated, 26th September 1767.

† Letter dated 24th March 1768.

‡ Letter, dated 5th April 1769.

What the *Investment* was, was fully explained by the Select Committee of the House of Commons in their Ninth Report of 1783.

"A certain portion of the revenues of Bengal has been, for many years, set apart in the purchase of goods or exportation to England, and this is called the Investment. The greatness of this Investment has been the standard by which the merit of the Company's principal servants has been too generally estimated ; and this main cause of the impoverishment of India has been generally taken as a measure of its wealth and prosperity. Numerous fleets of large ships, loaded with the most valuable commodities of the East, annually arriving in England in a constant and increasing succession, imposed upon the public eye, and naturally gave rise to an opinion of the happy condition and growing opulence of a country whose surplus productions occupied so vast a space in the commercial world. This export from India seemed to imply also a reciprocal supply, by which the trading capital employed in those productions was continually strengthened and enlarged. But the payment of a tribute, and not a beneficial commerce, to that country, wore this specious and delusive appearance."\*

The evils of a perpetual Economic Drain from India, pointed out so clearly by Governor Verelst and by the Select Committee of the House of Commons, was also condemned by the greatest political philosopher of England in words which will be read as long as the English tongue is understood. In his speech on Fox's East India Bill, made in 1783, Edmund Burke described the desolating effects of the perpetual drain from India ; and it is doubtful if even that great orator ever spoke anything more forcible, more eloquent, and more true, within the whole course of his brilliant parliamentary career.

\* Ninth Report, 1783, p. 54.

“ The Asiatic conquerors very soon abated of their ferocity, because they made the conquered country their own. They rose or fell with the rise and fall of the territory they lived in. Fathers there deposited the hopes of their posterity; the children there beheld the monuments of their fathers. Here their lot was finally cast ; and it is the normal wish of all that their lot should not be cast in bad land. Poverty, sterility, and desolation are not a recreating prospect to the eye of man, and there are very few who can bear to grow old among the curses of a whole people. If their passion or avarice drove the Tartar lords to acts of rapacity or tyranny, there was time enough, even in the short life of man, to bring round the ill effects of the abuse of power upon the power itself. If hoards were made by violence and tyranny, they were still domestic hoards, and domestic profusion, or the rapine of a more powerful and prodigal hand, restored them to the people. With many disorders, and with few political checks upon power, nature had still fair play, the sources of acquisition were not dried up, and therefore the trade, the manufactures, and the commerce of the country flourished. Even avarice and usury itself operated both for the preservation and the employment of national wealth. The husbandman and manufacturer paid heavy interest, but then they augmented the fund from whence they were again to borrow. Their resources were dearly bought, but they were sure, and the general stock of the community grew by the general effect.

“ But under the English Government all this order is reversed. The Tartar invasion was mischievous, but it is our protection that destroys India. It was their enmity, but it is our friendship. Our conquest there, after twenty years, is as crude as it was the first day. The natives scarcely know what it is to see the

grey head of an Englishman ; young men, boys almost, govern there, without society, and without sympathy with the natives. They have no more social habits with the people than if they still resided in England ; nor, indeed, any species of intercourse but that which is necessary to making a sudden fortune, with a view to a remote settlement. Animated with all the avarice of age, and all the impetuosity of youth, they roll in one after another ; wave after wave, and there is nothing before the eyes of the natives but an endless, hopeless prospect of new flights of birds of prey and passage, with appetites continually renewing for a food that is continually wasting. Every rupee of profit made by an Englishman is lost for ever to India."

The administration of India has vastly improved since the days of Governor Verelst and Edmund Burke. The whole continent of India has enjoyed unbroken peace for half-a-century, such as was unknown in the eighteenth century. Trade and commerce have been freed from invidious and prohibitive duties. The administration of justice and the protection of life and property have been more complete. And the spread of education has awakened a new life among the people, and befitted them for higher work and greater responsibilities. But nevertheless the evil of a perpetual Economic Drain from India, of which Verelst and Burke complained in their day, continues to this day in an ever-swelling current, and makes India a land of poverty and of famines.

Famines in India are directly due to a deficiency in the annual rainfall ; but the intensity of such famines and the loss of lives caused by them are largely due to the chronic poverty of the people. If the people were generally in a prosperous condition, they could make up for local failure of crops by purchases from neighbouring provinces, and there would



be no loss of life. But when the people are absolutely resourceless, they cannot buy from surrounding tracts, and they perish in hundreds of thousands, or in millions, whenever there is a local failure of crops.

Early in 1769 high prices gave an indication of an approaching famine, but the land-tax was more rigorously collected than ever. "The revenues were never so closely collected before."\* Late in the year the periodical rains ceased prematurely, and the Calcutta Council in their letter of the 23rd November to the Court of Directors anticipated a falling off of the revenues, but specified no relief measures to be undertaken. On the 9th May 1770 they wrote: "The famine which has ensued, the mortality, the beggary, exceed all description. Above one-third of the inhabitants have perished in the once plentiful province of Purneah, and in other parts the misery is equal." On the 11th September they wrote: "It is scarcely possible that any description could be an exaggeration of the misery the inhabitants . . . have encountered with. It is not then to be wondered that this calamity has had its influence on the collections; but we are happy to remark they have fallen less short than we supposed they would." On the 12th February 1771 they wrote: "Notwithstanding the great severity of the late famine and the great reduction of people thereby, some increase has been made in the settlements both of the Bengal and the Behar provinces for the present year." On the 10th January 1772 they wrote: "The collections in each department of revenue are as successfully carried on for the present year as we could have wished."†

It is painful to read of this rigorous collection of

\* Resident at the Durbar, 7th February 1769. India Office Records, quoted in Hunter's *Annals of Rural Bengal*, London, 1868, p. 21, note.

† Extracts from India Office Records, quoted in Hunter's *Annals of Rural Bengal*, 1868, pp. 399-404.

the land-tax during years of human sufferings and deaths perhaps unexampled in the history of mankind. It was officially estimated by the members of the Council, after they had made a circuit through the country to ascertain the effects of the famine, that about one-third of the population of Bengal, or about *ten millions of people*, had died of this famine. And while no systematic measures were undertaken for the relief of the sufferers perishing in every village, roadside, and bazaar, the mortality was heightened by the action of the Company's servants. Their Gomastas not only monopolised the grain in order to make high profits from the distress of the people, but they compelled the cultivators to sell even the seed requisite for the next harvest. The Court of Directors were indignant on receiving this information, and hoped that "the most exemplary punishment had been inflicted upon all offenders who could dare to counteract the benevolence of the Company and entertain a thought of profiting by the universal distress."\*

But the "benevolence of the Company" was less conspicuous when their own interests were touched, and we find no indication of an abatement of the land-tax of Bengal after a third of its population had been swept away and a third of the lands had returned to waste. Warren Hastings wrote thus to the Court of Directors on the 3rd November 1772 :

"Notwithstanding the loss of at least one-third of the inhabitants of the province, and the consequent decrease of the cultivation, the nett collections of the year 1771 exceeded even those of 1768. . . . It was naturally to be expected that the diminution of the revenue should have kept an equal pace with the other consequences of so great a calamity. That it

\* Extracts from India Office Records, quoted in Hunter's *Annals of Rural Bengal*, 1868, p. 420.

did not was owing to its being violently kept up to its former standard.”\*

In the language of modern Indian administration this violently keeping up the land revenue would be described as the Recuperative Power of India !

\* Extracts from India Office Records, quoted in Hunter's *Annals of Rural Bengal*, 1868, p. 381.

## CHAPTER III.

### MANUFACTURES IN THE EARLY NINETEENTH CENTURY.

LARGE portions of the Indian population were engaged in various industries down to the first decade of the nineteenth century. Weaving was still the national industry of the people ; millions of women eked out the family income by their earnings from spinning ; and dyeing, tanning, and working in metals also gave employment to millions.

It was not, however, the policy of the East India Company to foster Indian industries. It has been stated in a previous chapter that, as early as 1769, the Directors wished the manufacture of raw silk to be encouraged in Bengal, and that of silk fabrics discouraged. And they also directed that silk-winders should be made to work in the Company's factories, and prohibited from working outside "under severe penalties, by the authority of the Government."\* This mandate had its desired effect. The manufacture of silk and cotton goods declined in India, and the people who had exported these goods to the markets of Europe and Asia in previous centuries began to import them in increasing quantities. The following figures† show the value of cotton goods alone sent out from England to ports east of the Cape of Good Hope, mainly to India, during twenty years.

\* General Letter dated 17th March 1769.

† Return to an Order of the House of Commons, dated 4th May 1813.

Year ending 5th January.				Year ending 5th January.			
1794 . . . .			£156	1804 . . . .			£5,936
1795 . . . .			717	1805 . . . .			31,943
1796 . . . .			112	1806 . . . .			48,525
1797 . . . .			2,501	1807 . . . .			46,549
1798 . . . .			4,436	1808 . . . .			69,841
1799 . . . .			7,317	1809 . . . .			118,408
1800 . . . .			19,575	1810 . . . .			74,695
1801 . . . .			21,200	1811 . . . .			114,649
1802 . . . .			16,191	1812 . . . .			107,306
1803 . . . .			27,876	1813 . . . .			108,824

The Company's Charter was renewed in 1813. An inquiry was made, and witnesses were examined, previous to this renewal.

Very important witnesses, like Warren Hastings, Thomas Munro, and Sir John Malcolm were examined, and the House of Commons showed the utmost concern for the general welfare of the people of India. But in respect of Indian manufactures, they sought to discover how they could be replaced by British manufactures, and how British industries could be promoted at the expense of Indian industries.

India had suffered from repeated famines in the preceding half-century. A famine was desolating Bombay in the very year when the evidence was recorded. Industries and manufactures had declined in Bengal and in Madras. And yet we look in vain in this old volume of recorded evidence for any questions as to the means of reviving those sources of wealth which could insure the prosperity of a nation. We meet, on the contrary, with constant and never-ending inquiries how British goods could be forced on the people of India.

Warren Hastings was asked : " From your knowledge of the Indian character and habits, are you able to speak to the probability of a demand for European commodities by the population of India, for their own use ? "

"The supplies of trade," replied Warren Hastings, "are for the wants and luxuries of a people ; the poor in India may be said to have no wants. Their wants are confined to their dwellings, to their food, and to a scanty portion of clothing, all of which they can have from the soil that they tread upon."\*

Sir John Malcolm, who had lived a good deal among the people of India, and knew them as few Englishmen have known them since, bore high testimony to the many virtues of the nation. Speaking of Northern India, he said : "The Hindoo inhabitants are a race of men, generally speaking, not more distinguished by their lofty stature . . . than they are for some of the finest qualities of the mind ; they are brave, generous, and humane, and their truth is as remarkable as their courage." And replying to the question as to whether they were likely to be consumers of British goods, he replied : "They are not likely to become consumers of European articles, because they do not possess the means to purchase them, even if, from their simple habits of life and attire, they required them."†

Graeme Mercer, who had served the East India Company as a doctor, and also in the revenue and political departments, described the people of India as "mild in their dispositions, polished in their general manners, in their domestic relations kind and affectionate, submissive to authority, and peculiarly attached to their religious tenets, and to the observance of the rites and ceremonies prescribed by those tenets." And in reference to the introduction of European goods in India he stated that Lord Wellesley had endeavoured to find markets for such goods by institu-

\* Minutes of Evidence, &c., on the Affairs of the East India Company (1813, p. 3. The opinion of Warren Hastings about the general character of the people of India, expressed before the Lords' Committee, has been quoted in chapter iii. of this work.

† *Ibid.*, pp. 54 and 57.

ting fairs in Rohilkhand, exhibiting British woollens in those fairs, and by directing the British Resident to attend the great fair at Hardwar with the same object.\*

But the most important witness examined by the Committee of the House of Commons on this memorable occasion was Thomas Munro ; and the whole of his evidence was inspired by that sympathy with the people of India and that appreciation of their virtues which had distinguished that gifted Scotchman during his twenty-seven years' work in India, from 1780 to 1807.

Munro said that the average wages of agricultural labour in India was between 4s. and 6s. a month ; that the cost of subsistence was between 18s. and 27s. a head per annum ; that there was no probability of extending the sale of British woollen goods, because the people used coarse woollen of their own manufacture ; and that they were excellent manufacturers, and were likely to imitate English goods. Asked if Hindu women were not slaves to their husbands, Munro replied, "They have as much influence in their families as, I imagine, the women have in this country" [England]. And asked if the civilisation of the Hindus could not be improved by the establishment of an open trade, he gave that memorable answer which has often been quoted and will bear repetition : "I do not understand what is meant by the civilisation of the Hindus ; in the higher branches of science, in the knowledge of the theory and practice of good government, and in education which, by banishing prejudice and superstition, opens the mind to receive instruction of every kind from every quarter, they are much inferior to Europeans. But if a good system of agriculture, unrivalled manufacturing skill, a capacity to

\* Minutes of Evidence, &c., on the Affairs of the East India Company (1813), pp. 88 and 89.

produce whatever can contribute to convenience or luxury ; schools established in every village for teaching reading, writing and arithmetic ; the general practice of hospitality and charity amongst each other ; and above all, a treatment of the female sex full of confidence, respect, and delicacy, are among the signs which denote a civilised people, then the Hindus are not inferior to the nations of Europe ; and if civilisation is to become an article of trade between the two countries, I am convinced that this country [England] will gain by the import cargo." \*.

Munro had a high idea of the excellence of the Indian manufactures of his time. Among the causes which precluded the extended sale of British goods in India he mentioned "the religious and civil habits of the natives and more than anything else, I am afraid, the excellence of their own manufactures." He had used an Indian shawl for seven years, and had found very little difference in it after that long use ; while, with regard to imitation shawls produced in England, he said : "I have never seen an European shawl that I would use, even if it were given to me as a present." †

The evidence of one other witness deserves mention, that of John Stracey. He had served the East India Company in the Judicial Department, and as Under-Secretary to Government on the Bengal Establishment, and he deposed that the Indian labourer earned from 3s. 6d. to 7s. 6d. a month. How could such a nation use European goods ? "I do not know that they use anything in their ordinary use from Europe, except it is some small woollens and broad cloths which they may have accidentally got at a cheap rate." ‡

Inquiries like these fairly disclosed the objects of

\* Minutes of Evidence, &c., on the Affairs of the East India Company (1813), pp. 124, 127, 131.

† *Ibid.*, pp. 123 and 172.

‡ *Ibid.*, p. 296.



the House of Commons Committee. It is not in human nature for any race of men to sacrifice their own interests for those of another ; and the British statesmen in the early years of the nineteenth century did all they could to promote British industries at the sacrifice of Indian industries. British manufactures were forced into India through the agency of the Company's Governor-General and Commercial Residents, while Indian manufactures were shut out from England by prohibitive tariffs. The evidence of John Ranking, a merchant, examined by the Commons Committee, will explain this.

"Can you state what is the *ad valorem* duty on piece-goods sold at the East India House ?"

"The duty on the class called calicoes is £3, 6s. 8d. per cent. upon importation, and if they are used for home consumption there is a further duty of £68, 6s. 8d. per cent.

"There is another class called muslins, on which the duty on importation is 10 per cent., and if they are used for home consumption, of £27, 6s. 8d. per cent.

"There is a third class, coloured goods, which are prohibited being used in this country, upon which there is a duty upon importation of £3, 6s. 8d. per cent. ; they are only for exportation.

"This session of Parliament there has been a new duty of 20 per cent. on the consolidated duties, which will make the duties on calicoes . . . used for home consumption, £78, 6s. 8d. per cent., upon the muslins for home consumption, £31, 6s. 8d."

There was no thought of concealing the real object of these prohibitive duties. The same witness, John Ranking said, further on, "I look upon it as a protecting duty to encourage our own manufactures."\*

What was the result of these duties on Indian

\* Minutes of Evidence, &c., on the Affairs of the East India Company (1813, pp. 463 and 467.

manufactures? Henry St. George Tucker, whose name has been mentioned in a previous chapter in connection with land settlements in Northern India, retired to England ripe in Indian experience, and became a Director of the East India Company; and he did not conceal the scope and the effect of England's commercial policy towards India. Writing in 1823, *i.e.* only ten years after the date of the Parliamentary inquiry referred to above, he condemned that policy in the strongest manner.

"What is the commercial policy which we have adopted in this country with relation to India? The silk manufactures and its piece-goods made of silk and cotton intermixed have long since been excluded altogether from our markets; and of late, partly in consequence of the operation of a duty of 67 per cent., but chiefly from the effect of superior machinery, the cotton fabrics, which hitherto constituted the staple of India, have not only been displaced in this country, but we actually export our cotton manufactures to supply a part of the consumption of our Asiatic possessions. India is thus reduced from the state of a manufacturing to that of an agricultural country."\*

Still more emphatic is the impartial verdict of H. H. Wilson, historian of India.

"It is also a melancholy instance of the wrong done to India by the country on which she has become dependent. It was stated in evidence [in 1813] that the cotton and silk goods of India up to the period could be sold for a profit in the British market at a price from 50 to 60 per cent. lower than those fabricated in England. It consequently became necessary to protect the latter by duties of 70 and 80 per cent. on their value, or by positive prohibition. Had this not been the case, had not such prohibitory duties and decrees

\* *Memorials of the Indian Government, being a selection from the papers of Henry St. George Tucker (London, 1853), p. 494.*

existed, the mills of Paisley and Manchester would have been stopped in their outset, and could scarcely have been again set in motion, even by the power of steam. They were created by the sacrifice of the Indian manufacture. Had India been independent, she would have retaliated, would have imposed prohibitive duties upon British goods, and would thus have preserved her own productive industry from annihilation. This act of self-defence was not permitted her; she was at the mercy of the stranger. British goods were forced upon her without paying any duty, and the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms.”\*

While such was the policy pursued in England to discourage Indian manufactures, the system pursued in India did not tend to improve them. The revenues of the country were spent on the Company's Investments, i.e. on the purchase of Indian goods for exportation and sale in Europe without any commercial return. How much of the country's revenues was applied in this manner will appear from the following list :†

Year.	Price cost of Investment, India.	Year.	Price cost of Investment, India.
1793-4 . . .	£1,220,106	1803-4 . . .	1,187,807
1794-5 . . .	1,288,059	1804-5 . . .	1,088,700
1795-6 . . .	1,821,512	1805-6 . . .	1,335,460
1796-7 . . .	1,708,379	1806-7 . . .	986,310
1797-8 . . .	1,025,204	1807-8 . . .	887,119
1798-9 . . .	2,019,265	1808-9 . . .	1,013,740
1799-1800 . . .	1,665,689	1809-10 . . .	1,240,315
1800-1 . . .	2,013,975	1810-11 . . .	963,429
1801-2 . . .	1,425,168	1811-12 . . .	1,110,909
1802-3 . . .	1,133,526		
Total of nineteen years . . .			25,134,672
Annual average . . .			1,322,877

\* Mill's *History of British India*, Wilson's continuation, Book I., chapter viii., note.

† Taken from statement in p. 487, of Minutes of Evidence, &c., on the Affairs of the East India Company, 1813.

The method pursued in supplying these Investments was this. On being informed of the amount required by the Directors, the Board of Trade in India forwarded a copy of the order to the several factories where the goods were produced. The Commercial Residents at the factories divided the order among the several subordinate factories, and required the weavers to attend on a specified day to receive advances. Each weaver was debited for the advance made to him, and credited for the deliveries he made. If the weavers objected to the rate, the Board of Trade decided the matter according to its own judgment.\*

How this system was frequently abused appears from the evidence of many witnesses examined by the Commons Committee in 1813. Thomas Munro deposed that in the Baramahal the Company's servants assembled the principal weavers and placed a guard over them until they entered into engagements to supply the Company only.† When once a weaver accepted an advance he seldom got out of his liability. A peon was placed over him to quicken his deliveries if he delayed, and he was liable to be prosecuted in the courts of justice. The sending of a peon meant a fine of one anna (about 1½d.) a day on the weaver, and the peon was armed with a rattan, which was not unoften used to good purpose. Fine was sometimes imposed on the weavers, and their brass utensils were seized for its recovery.‡ The whole weaving population of villages were thus held in subjection to the Company's factories; and Mr. Cox deposed that 1500 weavers, not including their families and connections, were under his authority in the factory over which he presided.

\* Minutes of Evidence, &c., on the Affairs of the East India Company (1813), p. 532.

† *Ibid.*, p. 153.

‡ *Ibid.*, pp. 537—539.

The control under which the weaver population was held was not merely a matter of practice, but was legalised by Regulations. It was provided that a weaver who had received advances from the Company "shall on no account give to any other persons whatever, European or Native, either the labour or the produce engaged to the Company ;" that on his failing to deliver the stipulated cloths, "the Commercial Resident shall be at liberty to place pcons upon him in order to quicken his deliveries ;" that on his selling his cloths to orders the weaver "shall be liable to be prosecuted in the Dewani Adalat ;" that "weavers possessed of more than one loom, and entertaining one or more workmen, shall be subject to a penalty of 35 per cent. on the stipulated price of every piece of cloth that they may fail to deliver according to the written agreement ;" that landlords and tenants "are enjoined not to hinder the Commercial Residents or their officers from access to weavers ;" and that they "are strictly prohibited from behaving with disrespect to the Commercial Residents " of the Company. \*

Manufactures do not flourish when manufacturers are held under any sort of thralldom. But the worst result of this system was that, while the Company's servants assumed such power and authority over the manufacturers of India, other Europeans often assumed larger powers and used them with less restraint.

"The Englishman," said Warren Hastings, "is quite a different character in India ; the name of an Englishman is both his protection and a sanction for offences which he would not dare to commit at home."

"There is one general consequence," said Lord Teignmouth, "which I should think likely to result from a general influx of Europeans into the interior of the country and their intercourse with the natives,

\* Regulation xxxi. of 1793.

that, without elevating the character of the natives, it would have a tendency to depreciate their estimate of the general European character."

"I find no difference in traders," said Thomas Munro, "whether their habits are quiet or not when they quit this country ; they are very seldom quiet when they find themselves among an unresisting people over whom they can exercise their authority, for every trader going into India is considered as some person connected with the Government. I have heard that within these two or three years, I think in Bengal in 1810, private traders, indigo merchants, have put inhabitants of the country in the stocks, have assembled their followers and given battle to each other, and that many have been wounded."

"I have always observed," said Thomas Sydenham, "that Englishmen are more apt than those of any other nation to commit violences in foreign countries, and this I believe to be the case in India."\*

So frequent were the acts of violence committed by European traders and indigo planters in the interior of the country in the early years of the nineteenth century, that the Government was compelled to issue circulars to magistrates on the subject. In a circular dated 13th July 1810 it was stated :

"The offences to which the following remarks refer, and which have been established, beyond all doubt or dispute, against individual indigo planters, may be reduced to the following heads :

"*First*, Acts of violence which, although they amount not in the legal sense of the word to murder, have occasioned the death of natives.

"*Second*, The illegal detention of the natives in confinement, specially in stocks, with a view to the recovery of balances alleged to be due from them, or for other causes.

\* Minutes of Evidence, &c. (1813), pp. 2, 10, 138, 359.

"*Third*, Assembling in a tumultuary manner the people attached to their respective factories, and others, and engaging in violent affrays with other indigo planters.

"*Fourth*, Illicit infliction of punishment, by means of rattan or otherwise, on the cultivators or other natives."

And the circular directed magistrates to cause the destruction of the stocks, to report cases of flogging and inflicting corporal punishment on the cultivators, and to prevent European planters residing in the interior unless they conformed with the spirit of the Government orders. A further circular, issued on the 20th July 1810, directed magistrates to report cases in which indigo planters compelled the cultivators to receive advances, and adopted illicit means to compel them to cultivate indigo.\*

The parliamentary inquiries of 1813 brought no relief to Indian manufacturers. The prohibitive duties were not reduced. The Company's Investments were not stopped. On the contrary, it was distinctly sanctioned by the Committee of the whole House.

"The whole or part of any surplus that may remain of the above described rents, revenues, and profits, after providing for the several appropriations, and defraying the several charges before mentioned, shall be applied to the provision of the Company's Investments in India in remittances to China for the provision of Investments there, or towards the liquidation of debts in India, or such other purposes as the Court of Directors, with the approbation of the Board of Commissioners, shall from time to time direct."†

In the Parliamentary debates of 1813, says the historian, H. H. Wilson, "professions of a concern for the interests of India were, it is true, not unsparingly

\* Minutes of Evidence, &c. (1813), p. 567.

† Resolutions of the Committee of the whole House, 1813.

uttered, but it would be difficult to show that the majority of the party who engaged in the discussion were solely instigated by a disinterested regard for the welfare of the Indian subjects of the Crown. . . . The merchants and manufacturers of the United Kingdom avowedly looked only to their own profits."\*

The real object of the Parliamentary inquiry of 1813 was to promote the interests of the manufacturers of England. Napoleon Bonaparte had excluded British manufactures from the Continental ports ; the merchants and manufacturers of England were labouring under difficulties ; the country was menaced with distress unless some new vent for the sale of its industrial products could be discovered. Under these circumstances the national demand against the monopoly of the East India Company increased in force, and the monopoly of the Company's trade with India was abolished when their Charter was renewed in 1813. British traders thus obtained, for the first time, a free outlet into the great field of India ; it was not in human nature that they should concern themselves much with the welfare of Indian manufacturers.

It was thus that the monopoly of the East India Company in the Eastern trade was first abolished, when their Charter was renewed in 1813. Private trade, being once admitted, increased in volume, while the Company's trade declined. And when the time approached for renewing the Charter once more in 1833, the question arose whether the East India Company's trade should not be abolished altogether. Public opinion in England was strong in favour of the view that trade between England and India should be left altogether in the hands of private traders without the unfair competition of a Company with territorial possessions in India, and that

\* Mill's *History of British India*, 'Wilson's Continuation, Book I. chap. viii.



the duties of traders were not consistent with the duties of the rulers of an empire. This last argument was urged with increasing vehemence by the traders of London and the other large commercial centres of England, who were jealous of the unfair advantages possessed by the Company in India, and who hoped to increase their own trade if the Company could be stopped from carrying on trade at all.

Accordingly the Company's trade was abolished altogether in 1833, and from that date they stood forth simply as administrators of India, drawing their dividends from the revenues of India.

A great deal of evidence on the trade and industries of India, and all branches of Indian administration, was recorded while the controversy was still going on in 1830, 1831, and 1832. Valuable evidence was given before the Lords' Committee in 1830. Still more valuable and copious evidence was conveyed in the Commons' Reports of 1830, of 1830—31, and of 1831. Fresh evidence was given before the Commons' Committee of 1832, and was published in six ponderous volumes, containing well-nigh six thousand folio pages.\*

The portions of all this voluminous evidence which relate to trade and industries are somewhat one-sided. The Lords and Commons inquired into the state of the industries carried on by British capital, or which might give employment to British capital ; the industries of the people of India, and the wages and profits of the artisans of India, did not interest them much. They inquired if the abolition of the Company's trade would increase the volume of British trade with India, and would benefit the private traders and manufacturers of England ; the state of the internal trade of India, carried on by the people of that country,

\* The six volumes are : (1) Public, (2) Finance and Trade, (3) Revenue, (4) Judicial, (5) Military, (6) Political.

did not much attract their attention. To foster the indigenous trade and industries of the people of India was not the object of the inquiries made either in 1813 or in 1832, nor has this object been even seriously and steadily pursued during the seventy years which have elapsed since.

Nevertheless, we get a great deal of information from the evidence recorded, such as it is. And it will be our endeavour to condense this voluminous evidence in an intelligible form within the brief limits of this chapter.

### COTTON.

Indian cotton was shorter stapled than the American, had more dirt, and there was more waste in the manufacture. It was generally used in making coarse goods, or mixed with wool in woollen fabrics. Surat cotton was considered the best, and the Dacca muslin, made in Bengal, was not equalled in England. A good quality of cotton was successfully grown in Tinnevely from seed imported from the Isle of France. Long-stapled cotton was scarcely grown in India except near the sea, and was not required by the people for their own manufactures. All the cotton was spun by hand in India.\*

The exportation of the Indian cotton had fallen off from the competition of the American market. The cotton of the East India Company's dominions was the worst that came to the British market. Between the cleaned Bombay cottons and the American upland cottons there was a difference in value of 10 to 15 per cent. The Surat cotton was generally applicable only to the coarser manufactures of England, and was also mixed in spinning the finer cottons. Attempts to improve the cotton in India had not succeeded ; in

\* Evidence before the Lords' Committee, 1830. Digest.

some of the experiments the cotton deteriorated, in others the seeds did not come up well. Cotton was grown by the people of India, was brought to Bombay, and was purchased by Europeans. No lands producing cottons were in the hands of Europeans, and they had no share in the culture of it. The machine for cleaning cotton in India was a small hand-gin or wooden cylindrical machine, used from times immemorial. It cost 6d., was turned by hand, required no strength, and cleaned the cotton rudely. The East India Company's Investment of cotton was procured by their Commercial Residents principally from Tinnevely. In 1823 the Investment was 8000 bales of 250 lbs., and was sent to China. Bengal was unfit for the cultivation of cotton by Europeans, but a fine variety was grown by the people near Dacca. The best Indian cotton was grown in Gujrat and Cutch. Indian cotton was first imported into England in 1790, and American cotton in 1791. The total export of cotton from India in 1827 was 68 million lbs., valued at one million sterling. The total import of American cotton into England was 294 million lbs. A cotton mill had been started in Calcutta for spinning yarn.\*

The Company exported cotton largely from Bengal and Bombay, and they did so from Madras till the factories were abolished. Cotton was conveyed from the interior to Calcutta in boats without sufficient protection from the weather, lying on board four or five months; it was then put into cotton screws, with a quantity of seeds screwed into it, and in a state of dampness and mouldiness it was shipped for England. It was impossible that the finest cotton could under such treatment arrive in England in a better state than Bengal cottons did.†

\* Evidence in the Commons' Reports of 1830, 1830-31, and 1831. Digest.

† Evidence before the Commons' Committee, 1832. Digest.

## SILK.

The silkworm was principally confined to Bengal ; it would not flourish in Northern India, and the soil of Bombay was not suited to the mulberry. The Company's Investment for England was provided by the agency of their Commercial Residents, who obtained it from the men who reared the cocoons, to whom advances were made. The Company had about twelve Residencies and extensive manufactories, but did not carry on the manufacture beyond reeling. In a few manufactories piece-goods were manufactured from "Putney silk." The manufacture of finer silks had much diminished, and English silks were imported to a considerable extent. Several European residents had factories, but not so large as the Company's, and the Company commanded the market. The defect of the Indian silk was its want of staple and want of cleanliness. The best Indian silk nearly sold as high as the best Italian silk, but the greater part of the Indian silk was inferior. The trade was in the hands of the Company, which could not exercise the strict superintendence required for production of fine quality. Very little Indian silk was sold for exportation ; China silk would be preferred.\*

There were three kinds of mulberry grown in India, —the white mulberry cultivated in Europe, the dark purple mulberry cultivated in China, and the Indian mulberry. There were two kinds of worm—the country worm, and the annual worm brought from Italy or China and producing a finer silk. The cultivation of the mulberry and the production of the cocoons were left to the people, the Company making advances to them, and settling the price after the delivery of the silk or the cocoons. The Company had eleven or twelve filatures in Bengal, the machinery

\* *Evidence before the Lords' Committee, 1830. Digest.*

being on the Italian principle and very simple. The Company's Residents were paid by a commission of  $2\frac{1}{2}$  per cent. on the quantity supplied, and were also allowed to purchase on their own account. They were not good judges of silk. The raw silk of Bengal had deteriorated in quality, but the quantity exported had increased owing to the opening of trade and a decrease in the duties. The shipments of raw silk to England between 1823 and 1828 had increased  $35\frac{1}{2}$  per cent., while the Company's Investments had increased only  $17\frac{1}{2}$  per cent.\*

Mulberry and castor-oil plants were applied in Bengal for the feeding of silkworms. The mulberry trees were planted in rows about six or eight inches apart, and were three feet high. The extreme rapidity of the produce was what the people aimed at, which would give them an immediate return ; but the return would be greater if the method pursued in the south of Europe were adopted. Leaves were first picked about four months after the trees were planted ; afterwards there was a crop every eight or ten weeks ; in the first year there were four crops, in the second six. One-third of an English acre would feed 1000 worms a day. The difference in the silk depended on the season in which it was spun : the best season was the November Bund, in which the cocoons were finished spinning early in December ; the worst was the rainy season. The country worms hatched four times a year, the annual only once. The Company's Residents made advances through middlemen called Pykars, and received cocoons through them in their factories, where they were reeled by native workmen hired and paid by the factory. There were twelve Residencies ; the Residents fixed the price after delivery, subject to the confirmation of the Board of Trade. The Residents were hardly such persons as a manufacturer would

\* Evidence in the Commons' Reports, 1830, 1830—31, and 1831. Digest.

select to superintend his establishment. There was a steady rise in the produce of the raw silk from 1815 to 1830, and the Company increased its quantity. The Company also introduced into India the Italian method of winding. The trade was perfectly free, and persons had gone from England and built filatures, but had not succeeded; they could not compete with the Company. Italian silk was good, French silk was good, Bengal silk was also as much in demand as any other, but was not so strong as the silk of Italy, France, or Turkey. It was also coarser in quality than the Italian silk, because the people looked to the quantity rather than to the quality, and did not bestow the same care in reeling as in Italy or France. Hence the Bengal silk was more foul and uneven and "endy," having many breaks in it.\*

The reader will perceive from the foregoing digest of evidence the change which had been effected during seventy years of the Company's rule in Bengal in the cotton and silk industries. Production by independent Indian manufacturers had been discouraged, sometimes by positive prohibition, later on by the influence of the Company's Residents. The weaving of fabrics had been largely discontinued. Men who had worked on their own capital, produced commodities in their own homes and villages, and obtained their own profits, were now dependent on the Company's Residents, who supplied them with raw cotton and raw silk, and received prices which the Residents settled. They had lost their industrial and economic independence with their political independence, and obtained wages and prices for what they were told to produce. Thousands of them looked up to the Company's factory for employment, having ceased to be independent producers for the world's markets. The factories demanded raw produce; the people of India provided the raw

\* Evidence before the Commons' Committee, 1832. Digest.

produce ; forgot their ancient manufacturing skill ; lost the profits of manufacture. The public in England marked the increase of trade between Europe and India—the increase in the import of raw produce and the export of manufactured articles—and argued increasing prosperity in India. The Lords and Commons inquired whether this increasing trade should be in the hands of the East India Company or in the hands of private traders. None cared to inquire if this increase in exchange meant the extinction of Indian industries and the loss of industrial profits to India. None desired to inquire if it was possible to revive the weaving industry of India for the economic welfare of the people.

#### FOOD GRAINS.

A great deal of misconception has always existed in England about the ignorance and the careless cultivation of the Indian cultivators ; but those Englishmen who have taken the trouble to study agriculture have endeavoured to dispel this unjust and untrue idea. Dr. Wallick, who was Superintendent of the East India Company's Botanical Garden at Calcutta, gave his evidence on this subject on the 13th August 1832 before the Commons' Committee.

"The husbandry of Bengal has in a great measure been misunderstood by the Europeans out of India. The Bengal husbandry, although in many respects extremely simple and primeval in its mode and form, yet is not quite so low as people generally suppose it to be, and I have often found that very sudden innovations in them have never led to any good results. I have known, for instance, European iron ploughs introduced into Bengal with a view of superseding the extremely tedious and superficial turning of the ground by a common Bengal plough. But

what has been the result? That the soil which is extremely superficial, as I took the liberty of mentioning before, which was intended to be torn up, has generally received the admixture of the under soil, which has deteriorated it very much."

Asked if the Indian husbandry was susceptible of any great improvement, Dr. Wallick replied: "Certainly, but not to so great an extent as is generally imagined; for instance, the rice cultivation. I should think, if we were to live for another thousand years, we should hardly see any improvement in that branch of cultivation."\*

The export of rice from Bengal in the husk increased to 1000 tons shortly before 1830, principally owing to the invention of machinery for freeing it from the husk after its arrival in England. Formerly it used to go husked, with a great deal of dirt and much broken in the grain. After the invention, it went in the husk, and was cleaned in England, and looked as fresh and bright as the American rice. If it could be cleaned in India as it was cleaned in Carolina it would be exported in larger quantities; for in the husk it paid double freight, as it occupied double the space.

#### INDIGO.

Somewhat contradictory evidence was given, as might be expected, as regards the condition of the cultivators under European indigo planters. Ramsay asserted that the condition of Ryots, who laboured for European planters, was worse than that of other Ryots; that European planters compelled them to sow a larger portion of their land with indigo than they would otherwise have done; that European planters interfered with the tiller's right to cultivate his land as he

\* Evidence before the Commons' Committee, 1832, vol. II., Part I., p. 195.



liked. Other witnesses contradicted him ; but those who remember the state of things in Bengal down to 1860 are aware that the evils complained of by Ramsay prevailed in Bengal for a long period.

European planters made advances to cultivators who agreed to deliver so much weed at certain prices. If the planter was oppressive, "the Ryot had no other remedy against oppression than an appeal to the Courts where he has very little chance of having his appeal heard. Oppression is principally exercised in the lower parts of Bengal where a number of Europeans and half castes are settled."

Some Indian planters had considerable factories, but the indigo was not as good as that manufactured by Europeans. The manufacture of indigo by Indian planters was increasing. There were between five hundred and one thousand Europeans engaged as indigo manufacturers ; they generally did not bring any capital from Europe, but borrowed it at Calcutta from Indians or from the Company's European servants or from Agency houses, and then started factories. There was no instance known of a man of capital going out to India to establish an indigo plantation.\*

The importation of indigo from India commenced about 1790, and had so greatly increased in forty years as to supersede all other indigos. The cultivation was carried on from Dacca to Delhi, and the exportation was nine million lbs. The amount annually paid for rent and labour by British planters was £1,680,000 ; the commodity on its arrival at Calcutta was valued at £2,403,000, and realised in England £3,600,000. There were 300 or 400 factories in Bengal, chiefly in Jessor, Krishnagar, and Tirhoot. The best soils were those subject to inundation from the Ganges. Some indigo was grown in Madras and in Bombay. Generally speaking, planters borrowed

\* Evidence before the Lords' Committee, 1830. Digest.

their capital from great firms in Calcutta at an interest of 10 or 12 per cent. on a mortgage of their properties. The interest was high because there was considerable risk. Indian planters had begun to imitate the European process of manufacture. The manufacture and export were certainly not begun by Europeans, for indigo as a colour had been long known and used in the East, and manufactured and exported by the natives of India.\*

The old Indian way of manufacturing indigo was imperfect ; the East India Company advanced money to European planters for the production of the article, and began making large remittances to England in indigo in 1819. What caused the great and sudden prosperity of the indigo trade in Bengal was the destruction of St. Domingo, which had supplied nearly all the world with indigo previous to the French Revolution, and did not produce a single pound after the rebellion of the black population. The indigo factories were all destroyed during that rebellion.†

## SUGAR.

Sugar was cultivated in various parts of the Deccan. It required irrigation. The Indian mode of manufacture was very simple, and their machinery imperfect ; there was great room for improvement. The cultivation of sugar was perfectly free, like that of cotton and indigo. West Indian machinery was introduced, but did not extract so much from the cane as the simple Indian machinery, and the speculator was a loser. Two Europeans entered into speculations in Malabar, and both abandoned the project. An attempt was made to introduce the culture of sugar

\* Evidence in the Commons' Reports of 1830, 1830—31, and 1831. Digest.

† Evidence before the Commons' Committee, 1833. Digest.

at Ganjam from 1796 to 1803, but the result was unsatisfactory.\*

Europeans did not engage in the culture and manufacture of sugar in the same manner as they did in the manufacture of indigo ; they simply purchased it in the Bazars or from cultivators to whom advances were made. The machinery used in India was inferior to that of the West Indies and there were no large sugar plantations in India. The Indian sugar was inferior to the West Indian sugar. In Bengal the sugar-cane was as good as in the West Indies, and some superior sugar had been manufactured after undergoing a special process, but at a cost too high to make it profitable. Bengal sugar was subjected to a duty of 120 per cent. on the gross price, which was equivalent to a duty of 200 per cent. on the prime cost.†

The land fit for sugar was abundant in India, but the manufacture was ill-conducted. A more judicious selection of cane, and a more economical extraction and conversion of the juice into sugar, would increase the demand. The Company had a factory at Benares with agents to go about the country and buy sugar from the petty manufacturers ; but orders had recently been issued to discontinue the import of sugar. ‡

### TOBACCO.

Indian tobacco was not worth one-third of the American tobacco, owing to the want of skill in the grower and preparer. More attention should be paid to the selection of seed, the choice of soil, to weeding, reaping, preparing, and packing. India could not compete with America, but Indian tobacco might have an

\* Evidence before the Lords' Committee, 1830. Digest.

† Evidence given in the Commons' Reports of 1830, 1830-31, and 1831. Digest.

‡ Evidence before the Commons' Committee, 1832. Digest.

extensive demand if skill and capital were applied to it.\*

Europeans did not engage in dealings in tobacco, and were not permitted to engage in the inland trade. Tobacco was extensively cultivated in the Northern districts of Bombay, and was of a very fine quality there. One bale imported into England sold higher than any American—it sold at 6d. when the latter was 5d.—but the average of an experimental exportation was found to be defective in the curing. The importations to England from Bengal and Bombay had been failures. The tobacco lands of Gujrat were the cleanest and best farmed, and tobacco was the most valuable product at Coimbatour in Madras."†

Tobacco had no Indian name, showing that it was not an indigenous produce of India, but it had been grown there from time immemorial. It was one of the smaller cultivations of India, and was only produced for domestic use. It was used in India mixed with molasses, spices, and fruits. On very rich land the produce was 160 lbs. the acre, but on average lands 80 lbs. would be considered a fair return in green leaf. Generally, Indian tobacco was bad, but very probably could be improved. The tobacco, of the Northern Circars, converted into snuff at Masulipatam, was much prized in England. Some excellent Havanah tobacco was produced at Bhagalpur in Bengal.‡

#### DYES AND SALTPETRE, COFFEE AND TEA.

Lac-dye was imported to England in considerable quantities. Stick-lac was the gum, with the insect or its egg in it, from which the dye was made. The dyeing particles were separated and made the dye, while

\* Evidence before the Lords' Committee, 1830. Digest.

† Evidence in the Commons' Reports of 1830, 1830-31 and 1831. Digest.

‡ Evidence before the Commons' Committee, 1832. Digest.

those of China and Japan, in which the cultivation of the tea shrub is carried on to the greatest extent and perfection. . . .

"I have already had occasion to observe that a species of camellia grows wild in Nepal, and in publishing an account of it in 1818, I noticed that a tea shrub was thriving vigorously in a garden at Katmandu, 10 feet in height, and producing plentiful flowers and fruits during the last four months of the year. During my visit to that capital some years afterwards I saw the shrub, and I ascertained that the seeds of it had been brought from Pekin by the return of one of the triennial embassies which are sent to China by the Gurkha Government.

"If we take all these concurring circumstances into due consideration, we may surely entertain sanguine hopes that, under a well directed management, the tea plant may, at no distant period, be an object of extensive cultivation in the Honourable East India Company's dominions and that we shall not long continue dependent on the will and caprice of a despotic nation for the supply of one of the greatest comforts and luxuries of civilised life."\*

Dr. Wallick's letter is dated 3rd February 1832, and we may in fairness consider him one of the pioneers of the tea industry in India—next after the unknown Gurkha ambassadors who introduced it in Nepal.

### GOLD, IRON, AND COPPER.

Gold had been found in the Nilgiris and was collected of a pure kind, and in some quantity in the district of Wynaad, immediately below the mountains. Iron ore was abundant in most parts of India. At Ramnad it was sold at a higher price than British

\* Evidence before the Common's Committee, 1832, Part II., Appendix 21.

or Swedish iron, and was more pliable, but there was a great waste in working it. The native manufactured iron was inferior to the English owing to inferiority in the mode of manufacture. In the neighbourhood of Burdwan, in Bengal, there was some fine iron ore, but the better kind was found on the Madras coast. It could not be easily converted into steel, but when made, the steel was remarkably good. Mr. Heath had established an iron-foundry near Madras, and had established European machinery, and had the exclusive privilege of manufacture till the end of the Charter. The iron was very superior to any other Indian iron, or ever, to Swedish. Iron ore was found in great abundance on the frontier of Malabar, and was remarkably cheap at Coimbatour. The iron of Cutch was particularly fine; it was found principally on the surface, and was collected in baskets and burnt in charcoal. The finest steel in India was made in Cutch, and was fabricated into armour, sabres, &c. Copper had been found in the North-Western Provinces of India.\*

#### COAL AND TIMBER.

There were large coal mines in the Burdwan District of Bengal, worked in 1832 to the extent of 14,000 or 15,000 tons annually. The workings of the mines first began about 1814, but extensive operations began about 1825. The seam was 9 feet deep, and about 90 feet from the surface, and two or three thousand people were employed, receiving 6s. or 8s. a month. The coal was principally used for steam-engines, and was sent to Singapore for that purpose,

\* Evidence in the Commons' Reports of 1830, 1830-31, and 1831. Digest.

and was also used for the burning of bricks. Coal had also been found in Bundelkhand, and was found in abundance in Cutch. \*

Cutch coal had not been found good for steam-engines, and at Bombay English coal had been found cheaper. The Burdwan coal was the best in India, and none other was used in Calcutta. The price was 10 Annas (1s. 3d.) per bushel. It did not cake, but burnt to a white ash. It was not so good as English coal for the manufacture of iron. The best English coal was to the best Bengal coal in the proportion of 5 to 3 in regard to strength.

Indian forests contained every description of timber in the world, or a substitute for it. The principal kinds were Saigoon, Sal, Sisoo, Toon, Jarool, and Mango. Sal was used for ship and house-building, and for military purposes. Owing to bad and extravagant management there had been a falling-off in Sal, Sisoo, and Bamboo. There was an abundance of pine and oak. The timber of India might become an article of foreign trade.†

## OPIUM AND SALT.

In these articles the East India Company retained their monopoly as the India Government does to the present day, and they were an important source of revenue.

"The manufacture of opium and salt," said Holt Mackenzie, who was one of the principal witnesses examined by the Commons' Committee in 1832, "is conducted with a view to revenue, not trade. My opinion is that, of the suggested changes with regard

\* Evidence in the Commons' Reports of 1830, 1830-31, and 1831. Digest.

† Evidence before the Commons' Committee, 1832. Digest.

to those articles, there is none that would not involve a large loss of revenue. In the salt department I do not think we could, by means of an excise, collect the same amount of net revenue as is yielded by the public sales. . . .

"From that source also [opium] they derive a very large revenue, the excess of the sale prices beyond the first cost constituting such a tax as I would think it hopeless to get by any other device ; and though, commercially speaking, there are strong objections to the system, yet we must set against that the necessity of the revenue ; and my belief is, that the same amount of revenue cannot be otherwise got." \*

#### SUMMARY.

It will appear from the above summary that the evidence recorded between 1830 and 1832 by the Lords' and Commons' Committees contains the most valuable account that we possess of the industries of India at that time. Nevertheless the Parliamentary records are an incomplete account. The Lords and Commons limited their inquiries to those industries in which British capital had been employed, or could be profitably employed. The humbler industries, which gave occupation to the people of India—like bricklaying and building, stone-cutting and carpentry, boat-building and furniture, brass, iron, and copper utensils, gold and silver work, dyeing and tanning, and the declining spinning and weaving industries of India—did not interest them much.

The evidence recorded discloses that in purely agricultural pursuits England had little to teach ; but

\*Evidence before the Commons' Committee, 1832, Part I., p. 26.



in cleaning and husking the food grains, in spinning and weaving, in the manufacture of indigo, tobacco, and sugar, in the growing of coffee and tea, in the forging of iron, in coal-mining and gold-mining, in all industries which were dependent on machinery, Europe had adopted more perfect methods than India in 1830. It is possible to conceive that a Government, working with an eye to the advancement of the national industries, might have introduced these superior methods among the industrious and skilful people of India, as they have been introduced among the people of Japan within our generation. But it was hardly possible that foreign merchants and rival manufacturers, working for their own profit, should have this object in view, and the endeavour was never made. A policy the reverse of this was pursued with the object of replacing the manufactures of India, as far as possible, by British manufactures. Writing five years after the date of the Parliamentary Inquiry of 1832, Montgomery Martin described and condemned the commercial policy of the time in the severest terms.

“Since this official report [Dr. Buchanan’s economic inquiries in Northern India] was made to Government, have any effective steps been taken in England or in India to benefit the sufferers by our rapacity and selfishness? None! On the contrary, we have done everything possible to impoverish still further the miserable beings subject to the cruel selfishness of English commerce. The pages before the reader prove the number of people in the surveyed districts dependent for their chief support on their skill in weaving cotton, &c. Under the pretence of Free Trade, England has compelled the Hindus to receive the products of the steam-looms of Lancashire, Yorkshire, Glasgow, &c., at mere nominal duties; while the hand wrought manufactures of Bengal and Behar, beautiful in fabric and durable in wear, have had heavy and

almost prohibitive duties imposed on their importation to England." \*

"In that part of India," the Commons' Committee asked the witness, Holt Mackenzie, "where the greatest number of British residents are found, has there been any increase among the natives in the indulgence of English tastes, fashions, and habits?"

"Judging from Calcutta," replied Holt Mackenzie, "there has been, I think, a marked tendency among the natives to indulge in English luxuries; they have well-furnished houses, many wear watches, they are fond of carriages, and are understood to drink wines."

A smile of grim satisfaction must have overspread the faces of the grave and reverend Commoners of England on obtaining this significant evidence of the spread of Western civilisation in India!

The duties which were imposed on the import of Indian manufactures into England between 1812 and 1832 on various articles of trade are shown in the following tables: †

	1812.	1824.	1832.
	Per cent. on Value.	Per cent. on Value.	Per cent. on Value.
Ornamental cane work ...	71	50	30
Muslins ...	27½	37½	10
Calicoes ...	71½	67½	10
Other cotton manufactures...	27½	50	20
Goat's wool shawls ...	71	67½	30
Lacquered ware ...	71	62½	30
Mats ...	68½	50	20

\* *Eastern India*, by Montgomery Martin (London, 1838), vol. iii., Introduction.

† Evidence taken before the Commons' Committee, 1832, vol. ii., Appendix 5.

	1812.	1824.	1832.
Raw silk ...	{ £2, 13s 4d. on value plus 4s. per lb.	4s. per lb.	1d. per lb.
Silk manufactures	Prohibited	Prohibited	{ 20 per cent. on value
Taffatees or other plain or figured silks ...	{ Prohibited	Prohibited	{ 30 per cent. on value
Manufactures of silk	Prohibited	Prohibited	{ 20 per cent. on value.
Sugar (cost price about £1 per cwt.) ...	{ £1, 13s. per cwt.	£3, 3s. per cwt.	£1, 12s. per cwt.
Spirits (Arrack) ...	{ 1s. 8d. per gallon plus 19s 1½d. excise duty	{ 2s. 1d. per gallon plus 17s. 0¾d. excise	{ 15s. per gallon
Cotton wool ...	{ 16s. 11d. per 100 lbs.	{ 6 per cent.	20 per cent.

Petitions were vainly presented to the House of Commons against these unjust and enormous duties on the import of Indian manufactures into England. One petition against the duties on sugar and spirits \* was signed by some four hundred European and Indian merchants, among whose names we find *Ram Gopal Ghore*, which is probable a misprint of the name of the well-known Indian publicist Ram Gopal Ghose. An application to the British Government to reduce the duties on the cotton and silk fabrics of India, signed by a very numerous body of respectable Indians, was rejected; and some London merchants thereupon applied to the East India Company to allow a draw-

\* Evidence taken before the Commons' Committee, 1832, vol. II., Appendix 6.

back of 2½ per cent. on these fabrics on their import into England. \* The application was equally fruitless.

To what extent the unjust commercial policy of England discouraged and ruined the manufactures of India will appear from the following table of exports shipped from the port of Calcutta during thirty years. The figures represent the exports into the United Kingdom only : †

Year.	Cotton.	Cotton piece-goods.	Silk.	Silk piece-goods.	Lac and lac-dye.	Indigo.
	Bales.	Bales.	Bales.	Bales.	Maunds.	Chests.
1800	506	2,636	213			12,811
1801	222	6,341	238			9,928
1802	2,072	14,817	400			8,694
1803	2,420	13,649	1,232			12,986
1804	602	9,631	1,926			18,339
1805	2,453	2,325	1,327			13,486
1806	7,315	651	1,686			17,542
1807	3,717	1,686	482			19,452
1808	2,016	237	817			16,622
1809	40,781	104	1,124			8,852
1810	3,477	1,167	949			13,264
1811	160	955	2,623			14,335
1812	...	1,471	1,889			13,703
1813	11,705	557	638			23,672
1814	21,587	919	1,786			16,544
1815	17,228	3,842	2,796			26,221
1816	85,024	2,711	8,884			15,740
1817	50,176	1,904	2,260			15,583
1818	127,124	666	2,066			13,044
1819	30,683	536	6,998	468		16,870
1820	12,939	3,186	6,805	522		12,526
1821	5,415	2,130	6,977	704		12,635
1822	6,544	1,668	7,893	950		19,751
1823	11,713	1,354	6,357	742	14,190	15,878
1824	12,415	1,337	7,069	1,105	17,607	22,472
1825	15,800	1,878	8,061	1,558	13,491	26,837
1826	15,101	1,253	6,856	1,233	13,573	14,904
1827	4,735	541	7,719	971	13,756	30,761
1828	4,105	736	10,431	550	15,379	19,041
1829	...	433	7,000 (?)	...	8,251	27,000 (?)

\* Evidence taken before the Commons' Committee, 1832, vol. II., Appendix 7.

† *Ibid.*, Appendix 31.

These figures will show that while the manufacture of indigo by European planters increased, and the export of raw silk held its ground, that of silk piece-goods showed a decline. The export of cotton, too, was on the decline, but the most marked decrease was in that of cotton piece-goods. In the first four years of the nineteenth century, in spite of all prohibitions and restrictive duties, six to fifteen thousand bales were annually shipped from Calcutta to the United Kingdom. The figure rapidly fell down to 1813. The opening of trade to private merchants in that year caused a sudden rise in 1815 ; but the increase was only temporary. After 1820 the manufacture and export of cotton piece-goods declined steadily, never to rise again. A similar decline took place in the export of Indian piece-goods to the other countries of the world, notably to America, Denmark, Spain, Portugal, Mauritius, and the markets of Asia. The export to America declined from 13,633 bales in 1801 to 258 bales in 1829 ; Denmark, which took 1,457 bales in 1800, never took more than 150 bales after 1820 ; Portugal, which took 9714 bales in 1799, never took over a thousand bales after 1825 ; and the exports to the Arabian and Persian Gulfs, which rose to between four and seven thousand bales between 1810 and 1820, never exceeded two thousand after 1825.

On the other hand, as India lost her manufacturing industry, she began to import British and other foreign piece-goods paying for it in food grains. The figures in the next page are significant :\*

\* Evidence taken before the Commons' Committee, 1832, vol. ii., Appendix 33.

*Some British and Foreign Goods imported through Madras into the Madras Province.*

Year.	Chintz.	Long-cloth.	Muslin.	Piece-goods.	Satin.	Silk piece-goods.	Broad-cloth.	Shawls.	Woollen apparel.	Woollens.
1824	£	£	£	£	£	£	£	£	£	£
1825	N <sup>o</sup> figures.	N <sup>o</sup> figures.	N <sup>o</sup> figures.	N <sup>o</sup> figures.	N <sup>o</sup> figures.	N <sup>o</sup> figures.	N <sup>o</sup> figures.	181	N <sup>o</sup> figures.	N <sup>o</sup> figures.
1826	N <sup>o</sup>	N <sup>o</sup>	342	903	312	N <sup>o</sup> figures.	835	1159	N <sup>o</sup>	614
1827	510	470	941	536	637	N <sup>o</sup>	2176	754	601	915
1828	219	380	789	958	593		915	1115	481	1310
1829	352	348	598	474	853	644	1417	409	581	844
1830	372	...	224	1121	577	136	1158	476	365	457

*Some British and Foreign Goods imported through  
Calcutta into Bengal.*

Year.	Broad-cloth pieces.	Cotton yarn, lbs.	Cotton twist, lbs.	Mule twist, lbs.	Piece-goods, value in £ sterling	Liquors, value in £ sterling.
1813	3,381	Figures not given.	Figures not given.	Figures not given.	Figures not given.	52,253
1814	4,635					57,201
1815	3,908					59,462
1816	3,707					56,411
1817	2,355					53,157
1818	5,633					36,712
1819	9,244					20,988
1820	5,546					26,049
1821	7,590					30,382
1822	5,108					46,235
1823	7,346				64,449	30,129
1824	5,401				43,030	22,439
1825	13,981				158,076	14,223
1826	9,629	82,738	432,878	339,234	178,481	56,058
1827	5,430				296,177	80,595
1828	7,609				235,837	41,142
1829	11,838				197,290	31,311

In his evidence before the Commons' Committee in 1843, Thomas Munro had laughed at the idea of Paisley shawls replacing the excellent shawls of India. In 1824 he was Governor of Madras and must have noticed with concern the introduction of European shawls, as well as of muslins and piece-goods, broad-cloths and woollens, to replace the manufactures of India. An equally sympathetic administrator, Sir John Malcolm, was the Governor of Bombay in 1830 and he, too, marked with consternation the ruin of Indian industries and the growing poverty of the Indian people.

## CHAPTER IV.

### MANUFACTURES IN THE MIDDLE OF THE NINETEENTH CENTURY.

WHEN the East India Company's Charter was renewed in 1833, it was provided that the Company should thenceforth "discontinue and abstain from all commercial business," and should stand forth only as administrators and rulers of India. The beneficial results of this provision became manifest before many years had elapsed. The Company felt a greater interest in the trades and manufacturers of India when they were no longer rival traders. And on February 11, 1840, they presented a petition to Parliament for the removal of invidious duties which discouraged and repressed Indian industries.

A Select Committee of the House of Commons was appointed to report on the petition. Lord Seymour was in the chair ; and among the Members of the Committee was Mr. Gladstone, then a young man of thirty, and a stern and unbending Tory. Mr. Brocklehurst, Member for Macclesfield, then a great centre of British silk manufacture, was also on the Committee, and represented the interests of the British manufacturer. Much valuable evidence on Indian produce and manufacture was recorded, and has been published in a folio volume of over six hundred pages. It is possible, within our limits, only to refer to such portions of this evidence as are specially relevant to the present work.

J. C. MELVILL.

*Military Expenditure and Home Charges.*—Melvill said, the amount defrayed by the Company for the Queen's



troops employed on the Indian establishment was £1,400,000, and the Company had also agreed to raise and maintain such further men as might be necessary to keep at all times an effective force of 20,000 in India. The portion of the Indian revenues spent in England was, on the average, £3,200,000 a year, and this included the dividends of shareholders, interest on debt, furlough allowances, pensions, the expenses of the Board of Control and the Court of Directors, and their establishments.

*Opium.*—Opium was grown in British territory, Benares, and Patna, and in the Native State of Malwa. The Benares and Patna opium was the monopoly of the Company, and the Government of Bengal got a large revenue from this monopoly, selling the opium at a profit of more than 200 per cent. Malwa opium paid a heavy transit duty of £12, 10s. the chest on passing into British territory for exportation, and the Government of Bombay derived a substantial revenue from this transit duty. The two kinds of opium met in the market of Canton for sale in China.

*Salt.*—The Government realised a large revenue from salt manufactured in the Company's territory, and a heavy duty on salt manufactured in Native States and coming into British territory. The Company had the monopoly in salt as in opium.

*Sugar.*—In 1836, Parliament passed an act, allowing Indian sugar to be brought to England at the same duty as sugar from the West Indies, *i.e.* 24s. a cwt. The principle of the law was that the Indian sugar might come, if importation was prohibited at the place from which it came. The Governor-General had prohibited importation into Bengal; Bengal sugar therefore came to England on payment of 24s. per cwt.; and the quantity had increased from 101,000 cwt. in 1835 to 519,000 cwt. in 1839. The Governor-General had passed an ~~Act~~ in 1839 prohibiting importation into Madras, so

that Madras also was about to enjoy the same privilege as Bengal. There was no chance of the same privilege being extended to Bombay for some time.

*Rum.*—There was a duty of 15s. a gallon on Indian rum imported into England, as against a duty of 9s. only on West Indian rum, although the latter was stronger.

*Tobacco.*—There was a duty of 3s. per pound on Indian tobacco imported into England, as against 2s 9d. on West Indian tobacco. The difference caused much hardship; and it was believed that by equalising the duty the consumption of Indian tobacco could be greatly promoted.

*Coffee.*—In 1835 the duty upon Indian coffee was equalised with the West Indian duty of 6d. per pound; and the consumption of Indian coffee in England had largely increased in consequence.

*Cotton, Silk, and Woollen Goods.*—British cotton and silk goods, conveyed in British ships to India, paid a duty of  $3\frac{1}{2}$  per cent.; and British woollen goods a duty of 2 per cent. only. But Indian cotton goods, imported into England, paid a duty of 10 per cent.; Indian silk goods a duty of 20 per cent.; Indian woollen goods, a duty of 30 per cent.

As the import of cotton goods from India into England had died out, the import of raw cotton had increased. In the five years ending in 1813, the cotton-wool annually imported from India had been 9,368,000 lbs. on the average. The annual average of the five years ending in 1838 was 48,329,660 lbs.

"Native manufactures have been superseded by British?" Melvill was asked.

"Yes, in great measure," was his reply.

"Since what period?"

"I think, principally since 1814."

"The displacement of Indian manufactures by British is such that India is now dependent mainly

for its supply of those articles on British manufacturers ? ”

“I think so.”

“Has the displacement of the labour of native manufacturers at all been compensated by any increase in the produce of articles of the first necessity, raw produce ? ”

“The export of raw produce from India has increased since she ceased largely to export manufactures ; but I am not prepared to say in what proportion.”

“Have the natives of India, weavers, for instance, when thrown out of employment, the same facility in turning their attention to other matters as people in this country have, or are particular trades at all mixed up with the peculiarities of caste ? ”

“Particular trades are, I believe, mixed up with the peculiarities of caste. I have no doubt that great distress was the consequence in the first instance, of the interference of British manufactures with those of India.” \*

*Tea.*—It was known to the Court of Directors, as early as 1788, that the tea plant was a native of India ; but no attempts were then made to encourage its cultivation. In 1835, Lord William Bentinck brought to the Court’s notice that the tea plant was indigenous in Assam, and could be grown elsewhere in India ; and the Court gave its sanction to an experimental establishment in Assam for the cultivation and manufacture of tea. Ninety-five chests of Assam tea, about 4000 lbs., had recently arrived in London, and had been pronounced good ; and applications from many persons, who had formed themselves into a company, had been referred by the Court of Directors to the Indian Government. The growing of tea in Assam by private enterprise and capital thus dates from about 1840.

## ANDREW SYM.

This witness held grants of land from the East India Company in India, to the extent of about 60,000 English acres, and gave evidence mainly about the growing of sugar-cane and the manufacture of sugar. The cultivators grew the cane, expressed the juice, boiled it, and then sold it to the factory. There it was made into *Shukkur* by mechanical pressure, boiled into syrup, and then evaporated into sugar.

The witness had much to say about the displacement of Indian labour by the introduction of English manufactures—clothing, tools, implements, glassware, and brass articles. The people of India deprived of their occupations, turned “to agriculture chiefly.”

## C. E. TREVELYAN.

A more important witness was Sir Charles Trevelyan who, after a distinguished service in India under Lord William Bentinck, had become Assistant Secretary to the Treasury in England. \*

While in India, he had helped in abolishing vexatious transit duties which had impeded the internal trade. And in his evidence before the Select Committee he pleaded for the removal of those unequal and prohibitive import duties in England which kept out India's manufactures.

*Population of British India.*—The population of Bengal was generally calculated at 30 millions; that of Northern India under British Rule at 30 millions; that of Madras about 14 millions; and of Bombay about 3 millions. Total for British India, 77 millions. The ordinary price of labour was 2 annas, or 3d. a day. Land in Bengal was tilled by cultivators who held it

\* Later on he went out to India as Governor of Madras in 1859; was recalled in 1860 for his protest against new taxes; and was Finance Minister of India in 1863 to 1865 under Lords Elgin and Lawrence. He married Macaulay's sister, and to his son we owe the *Life and Letters of Lord Macaulay*.

under landlords. "The theory of Indian agriculture is, that as long as the Ryot, who is the occupant of the soil, continues to pay the rates of rent fixed by usage in his district, he is not liable to be ousted ; but this rule is constantly broken through." \* All restrictions against Europeans holding land in India had been removed ; and it had been expected that Europeans would purchase lands and settle in India. "But that has ended in disappointment. The climate does not suit them ; they do not look to ending their days there." †

*Sugar and Rum.*—The equalising of the duty on sugar was useless until the duty on rum was also equalised. "It is a mere mockery to give equality in one respect only ; in order to establish equality you must equalise the duty on all the articles manufactured from the sugar-cane." ‡

The inequality in the duty on rum, besides being injurious to the manufacture of both sugar and rum, created a sore feeling, a feeling among the people of India that interests were being sacrificed to those of more favoured countries.

*Mr. Gladstone.*—When you speak of dissatisfaction existing among the natives, are you to be understood that you do not allude to the body of cultivators, or the population, but to that which may be fairly called the commercial class ?

*Mr. Trevelyan.*—I mean that those among them, particularly the commercial class, and the educated natives of Calcutta, who know something of the relations between India and the mother country, feel it as a grievance ; that it goes to add to the sum of grievances which the natives feel ; and that the feeling extends from the better informed class to the body of people, but without the body of the people well knowing the grounds. §

\* Question 1624.

‡ Question 1499.

† Question 1513.

§ Question 1789.

For the rest, the witness said that the Bengal sugar, grown in the valley of the Ganges, had a vast home consumption. The 30 millions of Bengal, the 30 millions of British Northern India, and some 40 millions beyond, consumed the Gangetic sugar. Witness understood that the people of Central Asia too derived their supply of sugar from the valley of the Ganges, until that sugar met the beet-root sugar of Russia.\*

*Cotton Goods.*—Indian cotton manufactures had been to a great extent displaced by English manufactures. "The peculiar kind of silky cotton formerly grown in Bengal, from which the fine Dacca muslins used to be made, is hardly ever seen ; the population of the town of Dacca has fallen from 150,000 to 30,000 or 40,000 and the jungle and malaria are fast encroaching upon the town. The only cotton manufactures which stand their ground in India are of the very coarse kinds, and the English cotton manufactures are generally consumed by all above the very poorest throughout India. . . . Dacca which was the Manchester of India, has fallen off from a very flourishing town to a very poor and small one ; the distress there has been very great indeed."†

*Tea.*—Tea was grown in Assam, at first experimentally, by the Government, and since then by the new Assam Company. There was a dearth of local labour, and the Company engaged hill-coolies and took them from a distance to Assam to do work in the gardens. Witness believed that the contracts were for three years, but he had no precise information.

*Indigo.*—Hill-coolies went annually to the indigo planters of Bengal to find employment in the manufacture of indigo, "just as the Irish come over into this country to get in the harvest." The coolies did not take their families with them, and they returned home after the indigo season was over.

*River Steamers.*—All the steam navigation was still

\* Question 1699.

† Questions 1824 and 1825.

in the hands of the East India Company. The steamers used were very small ones, and drew less than two feet water. There was a Steam Tug Company for drawing vessels up and down the Hughli River, which made a good dividend.

*Roads.*—Roads were seldom repaired at all, except along the main lines. But they seldom became entirely impassable for the country carts, which were stoutly made, except in the rains.

*Raw produce.*—Mr. Trevelyan recommended that the raw produce of India should be freed from all unequal duties in the English market. "We have swept away their manufactures; they have nothing to depend upon but the produce of their land, and I think it would be extremely unjust not to give equal privileges in the market of the mother country to that."\*

#### HENRY GOUGER.

Henry Gouger was a merchant who had lived in India many years, and was the proprietor of works near Calcutta for the manufacture of cotton-twist, the distilling of rum, the expressing of oil from seeds, a foundry and a paper mill. His evidence therefore was of great value.

*Cotton-twist.*—700,000 lbs. weight of yarn was annually spun, of numbers varying from 20 to 50. The cotton used was all grown in India and selected with great care, and the machinery was worked by Indian labourers under European superintendence. There were 100 power looms, but their use was discontinued in order to employ the whole of the power steam for the manufacture of yarns which was more profitable. The lower numbers sold rather better than English yarns, the higher numbers on a par with them. But on the whole the profits of the business were not proportionate to the enormous cost. "I am inclined to think," said the witness, "there never will be another manufactory for spin-

ning cotton yarns, in consequence of the great expense attending the bulding of the present one."\*

*Coal.*—Witness used coal from his own mine at Burdwan. The coal was sold at 16s. per ton in Calcutta ; it was not so good as English coal, but being cheaper was generally used in the steamers in India. The cost of the Burdwan coal at Calcutta was 12s. or 13s. the ton ; the price of Newcastle coal at Calcutta was 25s.

*Sugar.*—The juice of the cane, boiled by the growers into Goor, was brought by them and sold at the manufactory to be made into sugar. Fine Benares sugar sold at 11 or 12 rupees (24s.) for 80 lbs. weight. The price was lower before the duties were equalised. Sugar was carried to England as dead weight and the freight was £4, 10s. the ton.

*Rum.*—West Indian rum paid a duty of 9s. per gallon on import into England, while Indian rum paid a duty of 15s. the gallon. Rum was distilled in India both from Goor, and from molasses, the refuse of Goor. From 80 lbs. of molasses  $3\frac{1}{2}$  gallons of rum, London proof, could be obtained ; a much larger quantity could be made from 80 lbs. of Goor. A gallon of rum could be supplied at Calcutta at 10 annas, *i.e.* 1s. 3d.

It might be profitable to extract sugar from Goor and then to convert the refuse, the molasses, into rum ; but that was not the general practice.

*Silk.*—Bengal raw silk, imported into England, sold at about 16s. the pound. Corahs, or silk piece goods made in India, sold at about 16s. or 17s. the pound. The export of raw silk from India was declining. In 1828-29 it was to the value of £920,000. In 1829-30 it was £800,000. In 1830-31 it was £720,000. In 1831-32 it was only £540,000. Probably an increase had taken place in the manufacture of silk goods in India, and the export of silk goods from India had also increased.



## G. G. DE H. LARPENT.

Larpent, Chairman of the East India and China Association, was then examined. The Association was formed in 1836 with the object of rendering assistance to all parties concerned in the East India and China trade. He gave his evidence at great length on the import of sugar and rum from different countries into England, and he spoke strongly on the decline of the cotton and silk manufactures of India.

*Cotton goods.*—Mr. Larpent supplied the Committee with the following figures relating to the import of Indian cotton goods into England, and the export of English cotton goods into India.

*Cotton Piece Goods Imported into Great Britain from the East Indies.*

1814	. . . .	1,266,608 pieces.
1821	. . . .	534,495 "
1828	. . . .	422,504 "
1835	. . . .	306,086 "

*British Cotton Manufactures Exported to India.*

1814	. . . .	818,208 yards.
1821	. . . .	19,138,726 "
1828	. . . .	42,822,077 "
1835	. . . .	51,777,277 "

In spite of this decline in the Indian manufacture, and the increase of British manufacture, British cotton goods were still imported into India on payment of an *ad valorem* duty of  $3\frac{1}{2}$  per cent., while Indian cotton goods imported into England were subjected to an *ad valorem* duty of 10 per cent. Quoting from Mr. Shore, witness read: "This supersession of the native for British manufactures is often quoted as a splendid instance of the triumph of British skill. It is a much stronger instance of English tyranny, and how India has been impoverished by the most vexatious system of

customs and duties imposed for the avowed object of favouring the mother country." Mr. Larpent did not agree with Mr. Shore in these observations to the full extent ; but they showed the feeling of a distinguished servant of the Company, a feeling which was likely to prevail among the people of India.\*

*Silk goods.*—British silk goods were admitted into Calcutta on payment of a duty of  $3\frac{1}{2}$  per cent., Indian silk goods were subjected to an import duty of 20 per cent. in England. Corahs or Indian silk piece goods in the grey (unprinted), were imported into England mainly for being printed in England and then exported to other European countries. The following figures were given for Corahs imported into England.

		For Home Consumption.	For Re-export.
		Pieces.	Pieces.
1838	...	16,000	310,000
1839	...	38,000	352,000

Bandannas or Indian printed pocket-handkerchiefs were imported into England in considerable quantities. Mr. Larpent pleaded strongly for the equalisation of duties between Great Britain and India with regard to silk goods. Mr. Brocklehurst, one of the members of the Select Committee, represented British silk manufactures, and necessarily desired the continuance of unequal duties to the advantage of England.

*Mr. Brocklehurst.*—You give your opinion without reference to the effect it would have on the British produce ?

*Mr. Larpent.*—I have no doubt there would be, to a certain extent, a rivalry in competition with the silk

manufactures of this country ; but I submit on principle that India ought to be admitted as one of our own possessions. The argument has been used that while our manufactures are allowed to go into India at a very reduced duty, we ought to have admitted theirs on as low a duty.

*Mr. Brocklehurst.*—Is there any colony of this country whose manufactures are admitted on so low a scale as those of India ?

*Mr. Larpent.*—There is no colony of this country whose manufacturers are of a magnitude calling for it. We have destroyed the manufactures of India. [And then the witness quoted the views of the Court of Directors, stated in Lord William Bentinck's minute of May 30, 1829 : " The sympathy of the Court is deeply excited by the report of the Board of Trade, exhibiting the gloomy picture of the effects of a commercial revolution productive of so much present suffering to numerous classes in India, and hardly to be paralleled in the history of commerce." ]\*

But Mr. Brocklehurst was not convinced. The use of Indian silk handkerchiefs in England troubled his soul, and he returned again and again to the subject.

*Mr. Brocklehurst.*—Are you aware that they have already so far displaced silk handkerchiefs made in this country, that attempts are now making to introduce a spurious article from waste silk as a substitute ?

*Mr. Larpent.*—I have heard that an article is introduced made of waste silk ; and that as I stated before, the ingenuity and science of the parties who are making those goods, will probably introduce into the home market a quantity of goods at a low price, which will be in very general use.

*Mr. Brocklehurst.*—Driving the British manufacturer to make inferior articles to maintain his ground in competition ?

*Mr. Larpent.*—The articles alluded to are those made here ; the British manufacturers have made those inferior articles.

*Mr. Brocklehurst.*—It would be more desirable perhaps that India should produce the raw material, and this country show its skill in perfecting that raw material ?

*Mr. Larpent.*—The course of things in India is decidedly leading to that ; and it is in the main articles such as we have already alluded to, that we do think every assistance should be given to the agricultural produce of India ; but I submit that as this is the last of the expiring manufactures of India, the only one where there is a chance of introducing the native manufactures, at least let it have a fair chance, and not be oppressed with the duty of 20 per cent., in favour of the British manufactures. \*

#### MONTGOMERY MARTIN.

A still more sturdy champion for India was Montgomery Martin. He had travelled ten years in the colonies of the British Empire, mainly at his own expense ; had gathered facts, figures and statistics ; and had compiled the first complete History of the British Colonies in five large volumes. He had lived in India ; studied Indian questions on the spot ; and also edited the voluminous and valuable statistical account of Eastern India left by Dr. Francis Buchanan.

"I have examined at considerable length," he said, "and for a series of years, the trade of India. I have taken the utmost pains to arrive at correct conclusions by examining various documents which the Honourable Court of Directors of the East India House, with their

\* Questions 2763, 2764, and 2771.

"The last of the expiring manufactures of India" has not been saved. India to-day exports annually over seventy million pounds in goods, mostly raw produce. Scarcely over a hundred thousand pounds of this is silk manufactures.

usual liberality, permitted me access to. And I have been impressed with the conviction that India has suffered most unjustly in her trade, not merely with England but with all other countries, by reason of the outcry for free trade on the part of England without permitting to India a free trade herself." And he added that, "on all articles except those where we are supplanting the native manufactures, and consequently impoverishing the country, there is a decreasing trade"\*

*Cotton goods.*—In 1815 the cotton goods exported from India were of the value of £1,300,000. In 1832 they were less than £100,000. In 1815 the cotton goods imported into India from England were of the value of £26,300. In 1832 they were upwards of £400,000. "We have during the period of a quarter of a century compelled the Indian territories to receive our manufactures; our woollens, duty free, our cottons at 2½ per cent., and other articles in proportion; while we have continued during that period to levy almost prohibitory duties, or duties varying from 10 to 20, 30, 50, 100, 500, and 1000 per cent. upon articles, the produce from our territories. Therefore, the cry that has taken place for free trade with India, has been a free trade from this country, not a free trade between India and this country. . . . The decay and destruction of Surat, of Dacca, of Murshedabad, and other places where native manufactures have been carried on, is too painful a fact to dwell upon. I do not consider that it has been in the fair course of trade; I think it has been the power of the stronger exercised over the weaker." †

Evidence such as this brought about a keen controversy between the witness and Mr. Brocklehurst, the representative of the British manufacturer.

*Mr. Brocklehurst.*—The fact being that weavers, either in the one country or the other, must be sacrificed, and that sacrifice having already taken place in

\* Question 3876.

† Questions 3877 and 3879.

India, you wish to revive the population of India at the expense of this country ?

*Mr. Martin.*—I do not wish to revive it, but I wish to prevent continued injury to India. But it does not necessarily follow that the weavers of England would be destroyed by admitting the natives of India to compete with them in this country, because the natives of India have no power looms, and no means of employing skill and capital to the extent that the manufacturers of Glasgow and Manchester have.

*Mr. Brocklehurst.*—The questions that have been asked refer entirely to fine fabrics which cannot be woven by power. The question is, whether we are to give up fine weaving in this country, or to retain it ?

*Mr. Martin.*—If it is only to be retained at the expense of injustice to India, my answer is, that England ought to act with justice, no matter what the result may be. That she has no right to destroy the people of a country which she has conquered, for the benefit of herself, for the mere sake of upholding any isolated portion of the community at home.

*Mr. Brocklehurst.*—When the transfer of India to the Government of this country took place in 1833, \* the destruction of weaving in India had already taken place, and therefore it is not a question of destruction for that is past ; and we have it in evidence that India is an agricultural rather than a manufacturing country, and that the parties formerly employed in manufactures are now absorbed in agriculture. Does it occur to you that there is an opening in this country, if manufacturers are displaced, for the people to turn to agriculture ?

*Mr. Martin.*—I do not agree that India is an agricultural country ; India is as much a manufacturing country as an agricultural ; and he who would seek to

\* The transfer of India to the Government of Great Britain did not take place in 1833. The British Government obtained control over the administration of India half a century before that date, by Pitt's India Act of 1774, and was responsible for Indian administration. In 1833 a new Act was passed renewing the Company's Charter but prohibiting their trade.

reduce her to the position of an agricultural country seeks to lower her in the scale of civilisation. I do not suppose that India is to become the agricultural farm of England ; she is a manufacturing country, her manufactures of various descriptions have existed for ages, and have never been able to be competed with by any nation wherever fair play has been given to them. I speak not now of her Dacca muslins and her Cashmere shawls, but of various articles which she has manufactured in a manner superior to any part of the world. To reduce her now to an agricultural country would be an injustice to India. \*

*Woollen Manufactures*—For twenty-five years British woollen manufactures had been admitted almost duty free in India, but the manufactures of India made of goat's wool paid a duty of 30 per cent. *ad valorem*. The result was that from 1828 to 1838 the total importation from India had not averaged more than £28,000 per annum. By stopping this trade British manufacturers were not benefited, as the shawls of England were mostly made on the continent. †

*Shipbuilding*—There was a marked decrease in shipbuilding in India. In 1795-96 six ships were built in Calcutta, with a tonnage of 4105 tons, and five large vessels of 500 to 600 tons each were on the stocks. In 1797-98 several vessels were launched from the dockyards of Calcutta. But shipbuilding had now (1840) been entirely given up in Calcutta. A dockyard had been founded by the Parsees at Bombay, and for three generations the splendid dock establishment at Bombay had been under Parsee management. The fine vessel *Asia* was built by Naoroji Jamssetjee, and Parsee gentlemen were studying shipbuilding in the English dockyards. Nevertheless, English-built ships, manned by lascars, proceeding to ports with which England had reciprocity treaties, were not treated as British ships. This

\* Questions 3918, 3919, and 3920.

† Question 3957.

was a direct impediment thrown in the way of ship-building in India. The Charter of the East India Company of 1833 declared that the natives of India were British subjects, and it was a hardship and injustice to them that they were not considered such in the matter of merchant ships.\*

*Home Charges.*—Witness submitted a table showing the Home Charges, or the amount of Indian revenues spent in England, during twenty years, from the renewal of the Company's Charter in 1813 to the renewal of their Charter in 1833.† Figures showing the Home Charges for five subsequent years, 1834 to 1837, have been taken from another part of the report.‡ Figures showing the revenues of India have been taken from a Parliamentary

Year.	Home Charges.	Revenues of India.
	£	£
1814-15 ...	2,446 016	17,297.280
1815-16 ...	2,048 030	17 237.819
1816-17 ...	2,042.809	18,077.578
1817-18 ...	2,023 996	18,375.820
1818-19 ...	2,369.947	19,459.017
1819-20 ...	1,861.381	19,230 462
1820-21 ...	2,306.187	21,352,241
1821-22 ...	3,203 611	21,803.108
1822-23 ...	3,326.406	23,171.701
1823-24 ...	2,027.420	21,280.384
1824-25 ...	2,182,132	20,750,183
1825-26 ...	2,362.360	21,128,358
1826-27 ...	2,975.141	22 383.497
1827-28 ...	2,694.219	22 863,263
1828-29 ...	2,719.579	22,740.691
1829-30 ...	2,613 527	21,695.008
1830-31 ...	2,399.573	22,019.310
1831-32 ...	2 475.569	18,317.237
1832-33 ...	2,233.559	18,477.924
1833-34 ...	2 053 141	18,267.368
1834-35 ...	3 063.322	26,856 647
1835-36 ...	2,959.975	20,148.125
1836-37 ...	3,090,582	20,999.130
1837-38 ...	2,979.514	20,858,820

\* Questions 3987 and 3992.

† Appendix 60.

‡ Appendix :



**Return.\*** The table, which we have thus compiled, shows the proportion of the Home Charges to the total revenue of India for the twenty-four years ending in the year of the accession of Queen Victoria.

A small portion of these Home Charges, about one-fifth, was for stores supplied to India from England. The remaining sums, said Montgomery Martin, "are absolute charges upon the revenues of India, and for which no return whatever is made to India. . . . It is a curious calculation to show, that estimating the sums of money drawn from British India for the last thirty years at three millions per annum, it amounts, at 12 per cent. (the Indian rate of interest), compound interest, to £723,997,971; or, if we calculate it at two millions per annum for fifty years, the abstraction of fructifying capital from Hindustan amounts to the incredible sum of £8,400,000,000."†

**Silk Manufactures.**—The silk manufactures of India should be freed from the unequal import duty placed upon it in England, and there was the greater reason for this because they really did not compete with the silk manufactures of England or any other country.‡

#### ALEXANDER ROGERS.

**Flax and Hemp.**—Alexander Rogers was a large proprietor of factories in India, and was introducing the culture of flax for the fibre, the natives of India having so long cultivated that plant for the seed. The first specimens of Indian flax were expected to arrive from India on June 10, 1840. "If we once succeed with flax, hemp and flax are so similar in their process of cultivation that there will be no difficulty whatever with hemp."§

**Silk.**—Witness also imported Indian silk into Eng-

\* Returns of the Gross Revenue, &c., in India since 1792, ordered by the House of Commons to be printed, June 22, 1855.

† Question 4137.

‡ Question 4162.

§ Question 4256.

land extensively. The duty on British silk manufactures in India was  $3\frac{1}{2}$  per cent. ; that on Indian silk manufactures in England was 20 per cent. and upwards. This difference paralysed the Indian silk industry. Reduction of duty on Indian silks would not affect British manufactures, as the reduction of duty on French silks had not affected it. The Indian silk piece goods which would be introduced in England were of the heavier kind, the Corahs, which were very little manufactured in England. On the other hand, "the advantage to England would be that of supplying the natives with the means to purchase twice or threefold the quantity of our goods in return." \*

*Sugar.*—Witness built a sugar manufactory at a cost of £2700 at Sericole, in Jessore District, near his indigo factory. He expected a profitable return, hoping for an equalisation of the duties on sugar and rum, which were produce of the same cane. His profit was  $11\frac{1}{4}$  per cent., which was unsatisfactory, as money lent in India without risk would bring in 10 per cent., and at compound interest much more. If the duty on rum was equalised his profit would be more ; if it was not equalised he would give up the sugar business.

#### J. M. HEATH.

*Iron.*—The Association with which witness was connected began operations at Porto Novo, 120 miles south of Madras, in 1833, built blast-furnaces, put up a forge for making malleable iron, and had greatly extended their ironworks. Steel could not be made from English iron ; England was entirely dependent on Sweden and Russia for every bar of iron that was to be converted into steel ; India could supplement the supply, for Indian iron could be made into steel. Witness imported Indian iron in the shape of pig iron

\* Questions 4384, 4385, 4386, 4415, 4418.

in order to be converted into bars ; but the duty on the import of iron ore into England was prohibitive. "The duty upon a ton of iron ore is 5s. Now it takes about two tons of iron ore to make a ton of bar iron ; a ton of bar iron pays a duty of 2s. 6d., whereas the duty upon the ore required to make a ton of bar iron is 10s. English iron going to India paid no duty at all."\*

#### HORACE HAYMAN WILSON.

*Books*—The distinguished Sanscrit scholar and Orientalist had been out in India for twenty-four years and on his retirement he was made Librarian to the East India Company and Professor of Sanscrit at the University of Oxford. He stated in his evidence that books printed in India paid a duty of £2, 10s. per cwt., and pleaded for the removal of the duty.

#### JOSEPH TUCKER.

*Silk Manufactures*.—Joseph Tucker, belonging to a London firm of silk printers and dealers in silk handkerchiefs, desired to maintain the duty of 20 per cent. on Indian silk manufactures in order to protect the British industry. He said that the British people still used British manufactures only ; but Frenchmen preferred the Indian article ; and the export of British silk goods into France was decreasing, and that of Indian Bandannas and other silk handkerchiefs into France was increasing. And he gave the following figures from a Parliamentary Return.—See table on opposite page.

The witness further explained that "When British goods first went to France, Indian goods were prohibited, and consequently British goods had a preference with French buyers ; hence perhaps the large quantity. As soon as the prohibition was taken off, and in fact previous to that, slightly, the trade had been affected.

\* Questions 4610 and 4676,

Exported from the United Kingdom to France.		
Years.	British Silk Goods.	Indian Bandannas and other Handkerchiefs,
	£	£
1832 ...	50,600	29,500
1833 ...	36,300	60,400
1834 ...	32,700	77,700
1835 ...	16,800	114,400
1836 ...	15,600	107,600
1837 ...	10,000	174,500
1838 ..	9,400	202,200
1839 ...	5,500	168,500

But immediately the prohibition was taken off, the British trade to France was entirely annihilated." \*

The preference given by a single European nation to a single Indian manufacture had aroused the jealousy of English dealers and manufacturers. This jealousy is manifest in the evidence of the last four witnesses, all silk manufacturers, who were examined by the Select Committee, and to whose evidence we now turn.

#### THOMAS COPE.

*Silk Manufactures.*—No witness gave his evidence in a more plain, straightforward manner than Thomas Cope, silk-weaver of Macclesfield.

*Mr. Brocklehurst*—What would be the effect upon this branch of your trade if the present duty on East Indian silk goods were reduced from 20 to 3½ per cent. ?

*Mr. Cope.*—In my opinion, it would have the effect of destroying this branch of trade ; and if so, it would rob of their employment, and consequently of the means of living honestly by their labour, all those parties which I have before named, and would make them des-

\* Question 6379.

titute and reckless, and cause them to become a burden to the rest of society, whose burdens are already too heavy. It would throw out of employment a large amount of capital, and would give into the hands of foreigners that employment by which we ought to be supported.

*Mr. Hogg.*—You are of opinion that justice to the English operatives in silk requires that all foreign manufactured silk should be excluded from this market ?

*Mr. Cope.*—My opinion is that in justice to the English operative there should be a duty imposed upon the importation of these goods which would put them on a level with ourselves. Now, if the Hindustanee can live at 1½d. or 2d. a day, and if an Englishman cannot live at less than 2s. a day, we think it very hard that the weaver in India should send his goods here and compete with us upon such very unfair terms.

*Mr. Elliott.*—Do you think that a labourer in this country, who is able to obtain better food than that, has a right to say, we will keep the labourer in the East Indies in that position in which he shall be able to get nothing for his food but rice ?

*Mr. Cope.*—I certainly pity the East Indian labourer, but at the same time I have a greater feeling for my own family than for the East Indian labourer's family ; I think it is wrong to sacrifice the comforts of my family for the sake of the East Indian labourer because his condition happens to be worse than mine ; and I think it is not good legislation to take away our labour and to give it to the East Indian because his condition is worse than ours. \*

It is needless to remark that manufacturers like Cope determined the policy of Great Britain towards India ; the British Parliament and the Indian Government were merely the servants of the manufacturers and voters of Great Britain.

## JOHN PROUT.

*Silk Manufactures.*—John Prout was another silk-weaver of Macclesfield, and represented the views of British silk manufacturers.

*Mr. Brocklehurst.*—Do you conceive that the reduction of the duty upon East India silk manufactures and Bandannas would be an injury to your trade ?

*Mr. Prout.*—I do conceive it to be a great injury, and it is the opinion of the trade of Macclesfield generally, because it is part of a system of policy which gives to the foreigner the home market, to the destruction of our own branch of industry. \*

## JOHN FRANCIS.

*Silk Manufactures.*—John Francis, a silk manufacturer of Norwich, was equally strong against Indian silks because they were competing successfully with British manufactures. And he spoke bitterly of the East India Company which had petitioned for the equalisation of duties.

*Mr. Elliott.*—In leaving off the silk trade in which you were formerly engaged, were you induced solely by the state of the trade, or were there any other circumstances ?

*Mr. Francis.*—Solely from the state of the trade ; I can go to the India House, when their sales of Corahs are on, and buy a piece for a less price than I can now buy a pound of silk to make it.

*Mr. Irving.*—How do you account for that ?

*Mr. Francis.*—Only from the cheapness with which the Indians can send their goods here.

*Mr. Brocklehurst.*—Would you think the best remedy for this state of things would be to encourage India to send the raw material and let the British industry work upon it ?

*Mr. Francis.*—To be sure.

And the witness added that forty years before (about 1800) the East India Company brought raw silk from India, and sold it in England to be manufactured in England. Now the Company were "indifferent to British industry," and let the silk be manufactured in India to get rid of it better. \*

Mr. Brocklehurst even tried to get out of the witness that Indian manufacturers were comfortable, growing raw material and earning 1½d. a day.

*Mr. Brocklehurst.*—You do not suppose that they are uncomfortable; they live according to what they have been accustomed to all their lives?

*Mr. Francis.*—Certainly not.

*Mr. Brocklehurst.*—It may be comfort if they have no better?

*Mr. Francis.*—Yes, *it may be comfort to be starving, but I cannot think so.* †

#### JOHN POYTON.

The last witness examined by the Select Committee was John Poyton, a silk weaver of Spitalfields.

*Silk Manufactures.*—Very few Bandannas were manufactured at Spitalfields, and India did not compete with that place at all. But nevertheless, the witness objected to the lowering of the duty on Indian silk manufactures, because "if the duty is lowered, there will be less made in the country, and those that are now employed in making Bandannas will turn their hands to something else, and of course they will become competitors with us upon the goods that we now make." ‡

We have not been able to find out if any specific recommendations were submitted by the Select Committee of the House of Commons on the evidence recorded by them. But we have before us the Report

\* Questions 6814, 6815, 6836, 6852, 6853, 6854.

† Questions 6889 and 6890. (The italics are ours.)

‡ Question 6946.

submitted by the Select Committee of the House of Lords. For the East India Company's petition was presented to both Houses, and the Select Committee of the Lords had examined Melville and Larpent and Trevelyan, and some other witnesses whose evidence before the Commons' Committee has been referred to in this chapter. Lord Ellenborough, afterwards Governor-General of India, was the Chairman of the Lords' Committee, and his Report, professing the utmost concern for the people of India, nevertheless denied them the relief and justice which they sought. His lordship pointed out the peculiar claims of India upon the justice and the generosity of Parliament in his usual florid style.

"Possessed of a population four times greater than that of the United Kingdom, and of all the rest of the British Empire in all parts of the world, defraying from its own resources the whole charge of its civil government and of its military defence, subjected to the rule of British-born subjects in all the higher and more lucrative and honourable offices of the State, India is further required to transmit annually to this country, without any return except in the small value of military stores, a sum amounting to between two and three millions sterling."\*

After these eloquent observations Lord Ellenborough recommended the equalising of duties on the import of West Indian and East Indian tobacco, but declined to make a similar recommendation with regard to rum. The cotton manufactures of India had already died out, and his lordship recommended that the inequality in duties between Great Britain and India should be removed. But the silk manufactures of India were still competing with those of England, and Lord Ellenborough would not recommend equalising the duties on this article—"the last of the expiring manufactures of India."

\* Report of the Select Committee of the House of Lords, p. xviii.



## COTTON COMMITTEE, 1848.

A more important Select Committee was appointed in 1848 to inquire into the growth of cotton in India. India was known from ancient times for her cotton fabrics with which she had supplied the markets of Asia and of Europe. And when England, with the help of her power looms and her protective tariffs, had suppressed that industry, the hope was still entertained that India would continue to grow the raw material required for the factories of Lancashire. Endeavours were therefore made to extend and improve the growth of cotton in India, with the idea that Great Britain would thereby have both the raw material and the manufacture in her own hands, and be thus independent of America and other foreign countries. The Select Committee, which was appointed in 1848, was therefore entrusted with a task of the very highest importance ; and one of the most illustrious men of England was the chairman of the Committee. John Bright, who had already won distinction as the colleague of Cobden in the agitation which led to the repeal of the Corn Laws, was in the chair ; and it was in the course of this inquiry that he obtained that intimate knowledge of Indian affairs, which marked his public utterances during the rest of his life. It may be said without exaggeration that John Bright filled the same place in the House of Commons in the middle of the nineteenth century that Edmund Burke had done in the last decades of the eighteenth. Their endeavours to render justice to a vast Eastern Dependency will live in the memory of mankind, when England's Empire shall have passed away. And their published utterances will be read as among the finest specimens of English prose, possibly when the present English language shall have ceased to be a spoken tongue.

Thomas Bazley, President of the Manchester Chamber of Commerce, furnished a table showing the pro-

portion of Indian cotton to American cotton imported into England—the proportion of the Indian supply to the total British import varying between 8 and 15 per cent. The figures for ten years from the date of Queen Victoria's accession are given below.

Import of Cotton Wool into England, Scotland, and Ireland.		
Year.	From the United States.	From British Possessions in the East.
	lbs	lbs.
1837 ...	320,351.716	51,577,141
1838 ...	431,437.888	40,229,495
1839 ...	311,597.798	47,170,640
1840 ...	487,856,504	77,010,917
1841 ...	358,214,964	97,368,312
1842 ...	405,325,600	96,555,186
1843 ...	558,735,600	68,820,570
1844 ...	517,218,622	88,639,608
1845 ...	626,650,412	58,437,426
1846 ...	382,526,000	34,270,800

The same witness deposed that while the spinner obtained from 1 lb. of Surat cotton only 12 ounces of yarn, he obtained from 1 lb. of American cotton 13½ ounces of yarn. The price of the latter was therefore between 3½d. and 6d. the lb. when Indian cotton was between 3d. and 5d.

Towards the conclusion of his evidence, Thomas Bazley explained in a few words an Englishman's idea of the trade between England and India. "In India," he said, "there is an immense extent of territory, and the population of it would consume British manufactures to a most enormous extent. The whole question with respect to our Indian trade is whether they can pay us, by the products of their soil, for what we are prepared to send out as manufactures."\*

\* Select Committee's Report, p. 57.

A more important witness was Major-General Briggs. He had entered the service of the Company in 1801, and had worked thirty-two years in India. He had served under men like Sir John Malcolm and Mountstuart Elphinstone, and had been Commissioner of Mysore and Resident of Nagpur. He had written the most valuable and exhaustive work on the Land Tax of India, and had advised Lord William Bentinck in regard to the Settlement of Northern India. And he had studied Indian history from the original sources, and produced a scholarlike translation of Ferishta's "History of India" which is still a standard work.

Major-General Briggs spoke of the enormous consumption of cotton in India, and of the capacity of that country to "produce sufficient cotton for the consumption of the whole world." And he considered that the two great obstacles which prevented a larger export of Indian cotton to England were the Land Tax, and the want of road for conveyance. Questioned on the first subject, he said : "The Land Tax of India, as well as all direct taxes, have been founded upon the principle of an Income Tax ; a portion of the income, whether in grain or in money, has usually been considered the right of the sovereign ;" and under the Hindu rule the portion was originally fixed at a tenth of the produce.

The Settlement of Northern India begun by Lord William Bentinck in 1833 "preserves the institutions of the people, and is most advantageous both to the Government and to the cultivator if it were made permanent." On the other hand, the land assessment in Madras was excessive, even after Sir Thomas Munro's reductions made in 1827 ; the Government demand was not, and could not be paid in full ; it was left to the discretion of the Collector as to how much he could collect. And "when it is left to the discretion of the Collector, it is practically left to the discretion of a host of subordinate officers scattered throughout the

country." The fixed assessment was never paid ; remissions were annually made ; the peasants were "in a very impoverished state." \*

General Briggs strongly recommended a corn-rent, *i.e.* an assessment based on the produce of each year ; and he held that the Ryotwari System might be workable under such a rule. Fifty per cent. of the produce was not more than the surplus produce or nett produce if taken in corn ; "but as the tax is a money tax, it must of course very frequently represent the whole of the produce." †

Thomas Williamson, who had been Revenue Commissioner of Bombay, brought the strongest charge against the British system of land assessment when he said that the prosperity of the entire people depended upon the will and the inclination of one man, the Collector and Assessing Officer. "The prosperity of a whole district," he said, "mainly depended upon the personal qualifications of the officer managing it." But District Collectors were not always efficient or considerate ; Gujrat had been very severely assessed till within recent years ; and all land improvements had been checked. In Broach heavy arrears accumulated ; remissions were made by favouritism ; and corruption in various ways had its influence over the amount. The people were generally exceedingly poor and depressed ; their agricultural stock had diminished ; and the produce of cotton diminished. "These are the general consequences and indications of overassessment." ‡

George Gibberne had been Collector of Gujrat, and left the country in 1826, and had revisited it in 1840 as Judicial Commissioner. He saw very little improvement in the condition of the people after the lapse of fourteen years ; and altogether it appeared to him "that the wealthy inhabitants had fallen off." The assessment had been generally speaking too high :

\* Select Committee's Report, pp. 126 and 129. † *Ibid.*, p. 136.  
‡ *Ibid.*, pp. 154 to 157.

"In all the different districts that I have been in as a Collector, I think there is scarcely enough, certainly not sufficient left to enable the Ryot to lay by anything for himself, or to become a capitalist."

"Have you known any districts," witness was asked, "in which the cultivation has evidently been very much diminished in consequence of the weight of the assessment?" "I cannot say," he replied, "that I have known any; they seem stationary instead of improving; the Ryots have nothing else to do but to cultivate even if they get no profit; they must cultivate their field for food for themselves and families; they are so wedded to the country or to the village to which they belong that they would pay the rent if they could without gaining a farthing for themselves. There are no great signs of improvement." \*

Francis Carnac Brown had been born of English parents in India, and, like his father, had considerable experience of the cotton industry in India. He produced an Indian *Charka* or spinning wheel, before the Select Committee, and explained that there was an oppressive Moturfa Tax which was levied on every *Charka*, on every house, and upon every implement used by artisans. The tax prevented the introduction of saw-gins in India.

Francis Brown held a high opinion of the Indian system of growing cotton, and said that he would as soon send for American planters to teach Indians in this art as he would send for Belgian farmers to teach British farmers in the art of growing wheat. He substantiated his opinion by the testimony of an American planter, Mr. Mercer, who had been sent to India to improve its cotton cultivation. In 1845—46, Mr. Mercer had represented, (to quote from the Bombay Government Circular of January 28, 1847), "That the experimental farms were only a useless expense to Government; that the American system was not adapted to

\* Select Committee's Report pp. 700 to 703.

India ; that the natives of India were, from their knowledge of the climate and capabilities of the soil, able to cultivate better and much more economically than any European." \*

On the question of the assessment of land, the evidence of Francis Brown was emphatic. 'The Madras cultivator "obtains no profit whatever beyond his food, after paying his assessment." There were millions of human beings who were cultivators in Madras, and they realised nothing beyond a mere existence or the means of existence. The pressing wants of nature, the necessity of getting food, drove them to cultivation, and wherever they planted their feet they came under the Government assessment. And the assessment was so high that it could never be realised in full. "The estimation," said the witness, "in which a native has always appeared to me to be held, is, that he is a creature born to pay to the East India Company." †

Charged with stating opinions so unfavourable to the Government of India, Francis Brown said : "I do not wish to detract from the credit of the East India Company—but there is the country ; and I ask let it be looked at with the eyes, the understanding, and the honesty of Englishmen, and let the Government of the East India Company be judged by that examination. . . . I solemnly declare that I have seen the people of Malabar perish, and become pauperised as a country under the operation of the Government. . . . The Government of the country has generally tended to the impoverishment and abasement of the people." ‡

Contrasting the land system of America where cotton cultivation was extending, with that of India where cotton for the purpose of export was dwindling, witness said : "Land in America is put up to sale at a dollar an acre, a man purchases the fee-simple of it

\* Select Committee's Report, p. 255.  
 ‡ *Ibid.*, pp. 262 and 263.

*Ibid.*, pp. 241 to 243.

outright, and there is an end of all charge. But the state of things in India is diametrically opposite to this ; there is no proprietary right ; and consequently a man is not induced to lay out that money, or to make those exertions for his own benefit, which have been the natural stimulus applied to the production of cotton in America."\*

It is to the credit of Francis Brown that he was one of the first to sound the note of alarm at the destruction of forests in India and consequent decrease in rainfall. It was a subject which was little understood then, and witness read the following passage from Baron Humbolt's Personal Narrative : " By felling the trees that cover the tops and the sides of mountains, men in every climate prepare at once two calamities for future generations, the want of fuel and scarcity of water."†

With regard to the ancient irrigation works of India, Francis Brown said : " There are throughout the whole of Southern India from Ganjam to Cape Comorin, the most extraordinary remains of tanks that it is possible to imagine." The East India Company's Government had allowed to these valuable works to go out of repair, except Tanjore, where irrigation had been attended with the most favourable results. Major Arthur Cotton had vainly pressed the importance of irrigation works on the Company's Government ; and Francis Brown believed that much of India could be made by means of irrigation what the valley of the Nile had long been." ‡

John Sullivan, who had been Member of the Government of Madras, and President of the Board of Revenue, defended the Indian Land Revenue system, but complained against the annual Economic Drain from India. " As to the complaints which the people

\* Select Committee's Report p. 264.,

† *Ibid.*, p. 269.

‡ *Ibid.*, p. 270.

of India have to make of the present fiscal system, I do not conceive that it is the amount altogether that they have to complain of. I think they have rather to complain of the application of that amount. Under their own dynasties, all the revenue that was collected in the country was spent in the country; but under our rule, a large proportion of the revenue is annually drained away, and without any return being made for it; this drain has been going on now for sixty or seventy years, and it is rather increasing than the reverse. . . . Our system acts very much like a sponge, drawing up all the good things from the banks of the Ganges, and squeezing them down on the banks of the Thames. . . . They [the people of India] have no voice whatever in imposing the taxes which they are called upon to pay, no voice in framing the laws which they are bound to obey, no real share in the administration of their own country; and they are denied those rights from the insolent and insulting pretext that they are wanting in mental and moral qualifications for the discharge of such duties."\*

Some other less important witnesses are examined, but it is unnecessary to prolong this analysis. Enough has been said to indicate the nature of the evidence placed before the Select Committee; and on this evidence John Bright and his colleagues submitted their report on July 17, 1848.

They reported that for sixty years, *i.e.* since 1788, the Court of Directors had made experiments in India for extending the cultivation and export of cotton, and had introduced American gins, sent out American cotton growers, and had established experimental farms for this purpose. The Directors still believed that the obstacles which retarded cotton cultivation in India could be overcome.

The result of the experiments satisfied the Select

\* Report of the Select Committee, p. 402



Committee that India had the capacity to supply cotton of an improved quality to an indefinite extent, but the Committee did not expect that this effect would be achieved by the means adopted. American cotton, long-stapled, was not so well suited to the Indian manufacturer as the Indian cotton, and the fluctuating demands for exportation were not a sufficient inducement for the introduction of a variety adapted to a foreign and distant market.\*

The miserable condition of the cultivators of India received the attention of the Select Committee. The great mass of cultivators in Madras and Bombay were "almost wholly without capital, or any of those means which capital alone can furnish, by which industry may be improved and extended. They are in reality a class of cultivators in the most abject condition."

There was difference of opinion on the question as to how far this depressed condition of the cultivators was due to the Government Land Revenue demand. On the one hand the principle was urged that so long as the Government demand was limited to a part of the economic rent, no depressing result on the cultivation of soil could ensue. On the other hand, evidence had been given that districts with large populations under the control of single officers were in practice badly administered; that imprudent zeal, inefficiency, or grave errors had affected the prosperity of entire districts, and that "the whole system is depressing, if not destructive to any spirit of improvement on the part of the agricultural population."

The two principles "*of moderation in the Government demand, and certainty as to the amount and tenure*" were recommended as the basis of land settlements in India.

\* Cotton, like sugar, was grown in India mainly for consumption in India; and the people of India, very rightly, produced those articles mainly with an eye to their national requirements, rather than to the demands of Lancashire looms.

## CHAPTER V.

### IMPORTS AND EXPORTS, 1833 TO 1853.

VARIOUS Acts were passed from time to time between 1833 and 1853 by the Indian Legislature to regulate Trade and Navigation and to fix the Tariff. The duties which were levied in 1852 on some of the principal articles imported into India are shown in the following table :—

Articles.	Import Duty.
Books, British ... ..	Free.
Books, Foreign ... ..	3 per cent.
Coffee ... ..	7½ per cent.
Cotton and silk piece goods, British	5 per cent.
Cotton and silk piece goods, Foreign	10 per cent.
Cotton thread, twist, and yarn, British	3½ per cent.
Cotton thread, twist, and yarn, Foreign	7 per cent.
Horses and other animals ... ..	Free.
Marine stores, British ... ..	5 per cent.
Marine stores, Foreign ... ..	10 per cent.
Metals, British ... ..	5 per cent.
Metals, Foreign ... ..	10 per cent.
Beer, ale and similar fermented liquors	5 per cent.
Salt ... ..	<div style="display: inline-block; vertical-align: middle;"> <div style="display: inline-block; vertical-align: middle; font-size: 3em; line-height: 1;">{</div> <div style="display: inline-block; vertical-align: middle;"> 5s. per maund (82 lbs.)  in Bengal.  6s. per maund in Madras  3s. per Imperial Gallon,  London proof. </div> </div>
Spirits ... ..	10 per cent.
Tea ... ..	2s. per Imperial Gallon.
Wines and Liquors ... ..	5 per cent.
Woollens, British ... ..	10 per cent.
Woollens, Foreign ... ..	5 per cent.
Manufactured articles ... ..	3½ per cent.
Articles not named ... ..	

Appendix 3 of the Commons' Report of 1852, from which the above figures are compiled, also gives us the

value of the imports and exports of Bengal, Madras, and Bombay, for sixteen years from 1834—35 to 1849—50. In the following two tables we have taken a pound sterling as equivalent to 10 rupees.

## IMPORTS.

Year.	Merchandise and Treasure imported into			
	Bengal	Madras.	Bombay.	Total.
	£	£	£	£
1834-35	2,645,355	656,405	2,852,369	6,154,129
1835-36	2,857,530	585,088	3,485,694	6,928,312
1836-37	3,395,423	672,985	3,504,747	7,573,157
1837-38	3,512,788	732,466	3,427,317	7,672,572
1838-39	3,851,183	778,536	3,621,876	8,251,596
1839-40	4,568,378	795,714	2,412,408	7,776,501
1840-41	5,509,563	837,079	3,855,551	10,202,193
1841-42	5,252,527	745,887	3,631,485	9,629,900
1842-43	5,563,897	660,593	4,822,403	11,046,894
1843-44	6,226,848	767,504	6,618,122	13,612,475
1844-45	7,515,355	1,235,455	5,755,727	14,506,537
1845-46	6,223,623	1,022,211	4,337,603	11,583,438
1846-47	6,649,671	1,029,003	4,157,911	11,836,586
1847-48	5,418,584	1,108,817	4,043,606	10,571,008
1848-49	5,770,623	1,065,271	5,713,412	12,549,307
1849-50	6,498,035	1,027,441	6,171,218	13,696,696

An examination of the figures set forth herein suggests some observations. It will be perceived at once that while the imports and exports of Bengal and Bombay advanced by rapid strides, those of Madras showed a very poor increase. The imports of Bombay and of Bengal increased from two and a half millions to six millions; the imports of Madras increased from £600,000 to a million. Exports from Bombay increased from three to six and a half millions, and from Bengal from four to ten and a half millions, while exports from Madras increased only from a million to a million and a half. These striking differences were not due to any extension of territory in Bengal and Bombay; for there were few

important additions to those Provinces between 1834 and 1849. The difference was mainly due to the im-

### EXPORTS.

Year.	Merchandise and Treasure Exported from			
	Bengal.	Madras.	Bomhay.	Total.
	£	£	£	£
1834-35	4,158,598	992,485	3,037,077	8,188,161
1835-36	5,593,896	1,152,968	4,467,740	11,214,604
1836-37	6,849,527	1,351,416	5,303,173	13,504,117
1837-38	6,905,809	1,072,640	3,604,986	11,583,436
1838-39	6,954,381	1,111,719	4,056,573	12,122,675
1839-40	7,000,943	1,355,914	2,976,411	11,333,268
1840-41	8,206,771	1,133,466	4,481,832	13,822,070
1841-42	8,225,539	1,423,064	4,691,689	14,340,293
1842-43	7,436,369	1,327,308	5,003,942	13,767,621
1843-44	10,076,904	1,230,255	6,692,393	17,999,553
1844-45	10,218,740	1,706,516	5,771,796	17,697,052
1845-46	10,102,755	1,476,981	6,264,965	17,844,702
1846-47	9,519,797	1,584,316	4,965,192	16,069,307
1847-48	8,866,928	1,491,558	4,379,947	14,738,435
1848-49	9,819,742	1,946,311	6,862,190	18,628,244
1849-50	10,502,244	1,345,522	6,435,776	18,283,543

poverished condition of Madras under its wretched land system, which we have described in another chapter.

Another striking fact which we note in the above figures is the great disproportion between the imports and the exports of British India. The difference was two millions in 1834-35, and increased to over four and a half millions in 1849-50. The figures represent the trade of British India not with Great Britain only but with all countries of the world. But other countries gave a fair return for what they received; Great Britain exacted a tribute from India for which she made no commercial return. And the difference of two to four millions a year between India's imports and exports represented the annual drain of wealth from India.

In the preceding tables we have exhibited figures

showing the trade of India down to 1850. We are able to place before the reader the figures for the last eight years of the Company's rule, 1851 to 1858, from a more recent source.\* The excess of exports continued during the first five years, but imports exceeded during the last three years, two of which were years of the Indian Mutiny.

#### Trade of India with all Countries.

Year.	Import of Merchandise.	Import of Treasure.	Total Imports.	Total Exports.	Excess of Exports.
	£	£	£	£	£
1851	11,558,789	3,811,809	15,370,598	18,705,439	3,334,839
1852	12,240,490	5,052,059	17,292,549	20,798,342	3,505,793
1853	10,070,863	6,831,377	16,902,240	21,519,863	4,617,623
1854	11,122,659	4,871,954	15,994,613	20,778,435	4,783,822
1855	12,742,671	2,028,256	14,770,927	20,194,255	5,423,328
					Excess of Imports.
1856	13,943,494	11,301,288	25,244,782	23,639,435	1,605,347
1857	14,194,587	14,413,697	28,608,284	26,591,877	2,016,407
1858	15,277,629	15,815,436	31,093,065	28,278,474	2,814,591

It is needless to say that the excess of imports over exports was only temporary. By 1864, as we shall see in a future chapter, India's exports once more exceeded her imports, and the difference increased to an alarming figure with the lapse of years.

Somewhat over one-half the entire trade of India was with Great Britain. Thus between 1841 and 1855, when the total imports of India ranged between ten and seventeen millions, the imports from the United Kingdom alone were between five and ten millions. And in the last three years, 1856 and 1858, when the imports rose to between twenty-five and thirty-one millions, the imports from the United Kingdom ranged between fourteen and eighteen millions. In the export trade of India the share of Great Britain was

\* Statistical Abstract relating to British India, 1840 to 1865.

somewhat less. The total for India between 1841 and 1855 ranged between thirteen and twenty-one millions, and the exports to Great-Britain were between five and eight millions ; while in the three subsequent years, India's exports to the United Kingdom rose to ten millions when her total exports were between twenty-three and twenty-eight millions.

Our space forbids us from attempting to show how the import and export of all the different articles of merchandise rose or fell during these years ; but a history of some of the principal articles of trade is important, as throwing some light on the industries of the people of India. Cotton twist and yarn, cotton goods, silk goods and woollen goods, machinery and metal manufactures, were among the most important imports of India ; and the fluctuations in the consumption of those articles during ten years are shown in the following figures :—

#### Imports into India from all Countries.

Year.	Cotton Twist and Yarn.	Cotton Goods.	Silk Goods.	Woollen Goods.	Machi- nery.	Metal Manufac- tures.
	£	£	£	£	£	£
1849	909,016	2,222,089	123,505	111,815	18,064	203,997
1850	1,131,586	3,371,618	112,601	156,154	8,079	166,139
1851	1,039,329	3,642,361	111,554	218,848	20,666	245,393
1852	1,391,134	4,770,779	126,064	205,505	14,337	246,701
1853	1,130,500	3,667,433	110,546	142,027	26,457	217,187
1854	1,306,913	4,432,525	116,955	144,473	52,788	286,671
1855	1,274,093	5,403,244	197,510	171,065	126,303	312,304
1856	1,414,274	4,948,005	138,768	133,998	435,512	788,859
1857	1,191,974	4,941,353	106,333	143,797	244,433	558,329
1858	943,920	4,782,698	108,023	261,589	465,453	378,989

It will be seen from these figures that the import of cotton goods was more than doubled within six years, from 1849 to 1855 ; and though a further increase was arrested during the years of the Indian Mutiny, the figures went up with a bound to eight millions in 1859.

The increase in the import of machinery and metal manufactures is also remarkable.

The following figures show the fluctuations in the principal exports from India during the same ten years.

Exports from India to all Countries.					
Year.	Cotton (Raw)	Cotton Goods, Twist and Yarn.	Silk (Raw).	Silk Goods.	Wool (Raw).
	£	£	£	£	£
1849	1,775,309	690,584	713,632	302,322	55,591
1850	2,201,178	742,320	666,094	441,749	48,925
1851	3,474,489	673,549	619,319	355,223	68,335
1852	3,619,989	819,049	688,640	260,225	100,612
1853	3,629,494	930,877	667,545	315,305	172,110
1854	2,802,150	769,345	640,451	326,571	205,601
1855	2,428,764	817,103	500,105	263,453	207,263
1856	3,314,951	779,647	707,706	341,035	272,942
1857	1,437,949	882,241	782,140	281,450	314,216
1858	4,301,768	809,183	766,673	158,224	387,104

  

Year.	Grains	Sugar.	Opium.	Indigo.	Jute.
	£	£	£	£	£
1849	858,691	1,814,404	5,772,526	2,093,474	68,717
1850	757,917	1,925,603	5,973,395	1,838,474	88,989
1851	752,295	1,823,789	5,459,135	1,980,896	106,936
1852	869,002	1,801,660	6,515,214	2,025,313	180,976
1853	889,160	1,729,762	7,034,075	1,809,685	112,617
1854	1,413,654	948,582	6,437,098	2,067,769	214,768
1855	1,742,530	1,135,699	6,231,272	1,701,825	229,241
1856	2,896,262	1,359,104	6,200,871	2,424,332	329,076
1857	2,587,456	1,786,077	7,056,630	1,937,907	274,957
1858	3,790,374	1,175,771	9,106,635	1,734,339	303,292

The fluctuations of these articles of export are significant. The export of raw cotton rose in ten years from under two millions to over four millions. There was a continuous desire in England to extend and improve the cotton cultivation of India, so that England might rely on her own possession rather than on America for the requirements of her looms and factories. We shall see in a subsequent chapter that the Civil War in America

in the early 'sixties came as a providential help to these endeavours. America sent little cotton during that war; and the export from India rose to near thirty-six millions in 1864, and to a still higher figure in the following year. But the hope vanished when peace was once more established in the United States. American cotton once more replaced Indian cotton in the British factories; and the export from India fell as suddenly as it had risen.

Throughout the century just expired, there was no thought of fostering the weaving industry in India, or of instructing the people to manufacture for themselves by means of the power loom, or of improving their old hand loom. A truly national Government, one working for the good of the nation, would have sought to preserve the old national industry of India by introducing new and improved methods; and the patient, industrious, and skilful artisans of India would undoubtedly have learnt the lesson, and preserved their old industry under new methods.

Referring once more to the table given above, we find that while the export of raw silk remained stationary and that of raw wool showed an increase, Indian silk manufactures, which had provoked so much jealousy among the silk weavers of England, showed a marked decline from 1857 and 1858 from which they never recovered afterwards. On the other hand, the export of food grains showed a steady and alarming increase, and the figure rose in ten years from less than a million to nearly four millions. It was a natural result, when handicrafts and manufactures declined, and India had to pay her annual tribute to England as well as for her imports, that she sent out a continuously increasing share of the food supply of the people. By the end of the century, the export of rice and wheat and other food grains had reached the high figure of twelve millions sterling a year.



The export of Indian sugar already began to show a decline in the last years of the Company's rule, and dwindled into a very small figure, under £170,000 sterling, by the close of the century. On the other hand the export of jute steadily increased, specially from the time of the Crimean War. The large supply of flax which England had obtained from Russia before was interrupted during the war, and Indian jute thus obtained a start which it has more than maintained since. By the end of the century the export of raw and manufactured jute from India rose almost to ten millions sterling.

The export of indigo was also large; but it is painful to state that acts of lawlessness and coercion stained the records of the industry. Such acts on the part of the European indigo planters of Bengal caused much irritation among the people, and at last brought their own remedy in our own days in most parts of Bengal. Cultivators struck; many indigo firms failed; and the manufacture of the indigo declined, as will be explained in a subsequent chapter.

### MUTARFA TAX.

Speaking about Indian industries it is satisfactory to note that the oppressive and harassing Mutarfa Tax on trades and professions had been abolished by 1853 all over India, except in the benighted Province of Madras. The Madras Native Association in their Petition to the House of Commons\* described the Mutarfa as a "tax upon trades and occupations, embracing weavers, carpenters, all workers in metals, all salesmen, whether possessing shops which are also taxed separately, or vending by the road side, &c., some paying impost on their, tools others for permis-

\* Commons' First Report, 1853, Appendix 7.

sion to sell—extending to the most trifling articles of trade and the cheapest tools the mechanic can employ, the cost of which is frequently exceeded six times by the Mutarfa, under which the use of them is permitted.” And the Association went on to state that “it falls more heavily upon the indigent than upon the wealthy, while the discretionary power under which it is collected affords a wide field for the perpetual practice of inquisitorial visits, extortion and oppression as suits the pleasure or the cupidity of the irresponsible collectors, with whom it is no unusual thing to resort to imprisonment and fetters in order to compel their exactions.” And “the whole sum raised by this impost is but little above £100,000 sterling.”

There was no exaggeration in the above statement. A witness, J. W. B. Dykes, who was a magistrate and revenue officer, and had himself collected the tax in Madras, spoke in stronger terms of its oppressiveness.

Q. The tax is only levied upon those who are engaged in commercial dealings?

A. It is levied upon every one almost who does not cultivate land. . . . If an old woman takes vegetables to market, and sells them at the corner of the street, she is assessed for selling vegetables. If a man is a cloth merchant, he is assessed. But no tax is levied upon European traders. Perhaps, next door to this man who is making a few rupees a year, there is a European trader making hundreds, but he pays nothing. \*

Such an invidious tax could not be continued in any part of India after the Parliamentary inquiries of 1853; and it was accordingly abolished. And the Income Tax, which was imposed shortly after the administration of India had been assumed by the Crown, was more just and equitable, because it was imposed on all classes of men, and because, eventually, people with poor incomes were excluded from its operation.

\* Commons' Fourth Report, 1853.

## CHAPTER VI.

### INDIAN FINANCE, 1837 TO 1858.

THE Company's Charter was once more renewed ; but the Act of 1853 did not fix any definite term for the renewed Charter. It declared, simply, that the Indian territories should remain under the Company in trust for the Crown until the Parliament should otherwise direct. The number of Directors was reduced from twenty-four to eighteen, and the Crown assumed the power of appointing six out of these eighteen Directors. And the Board of Control retained its power of control.

Other changes were made by the new Charter Act. It authorised the appointment of a Governor or a Lieutenant-Governor for Bengal. That Province, which had so long been ruled by the Governor-General himself, had its first Lieutenant-Governor in 1854. The Act also authorised the formation of another Presidency or Lieutenant-Governorship. Accordingly the Punjab was placed under a Lieutenant-Governor in 1859. Among the other important changes, effected by this Act, we may mention that the Council of the Governor-General was enlarged for legislative purposes by the addition of Legislative Members. And the right of patronage to Indian appointments was taken away from the Court of Directors. It was henceforth to be exercised according to regulations framed by the Board of Control, and these regulations threw open the Civil Service of India to general competition.

With these changes, some of which curtailed the powers of the Company and added to the influence of the Crown, the Double Government which had been so strongly supported by John Stuart Mill was continued. It lasted for a few years longer, until the Indian Mutiny gave the British nation and the British Parliament a suitable occasion and an ostensible reason for setting aside the Company altogether. In closing our account of the Company's rule in India, we shall, in the present

chapter, briefly review their financial administration.

The figures showing the revenues and expenditure of India, during the twenty-one years which elapsed from the accession of Queen Victoria to the abolition of the East India Company, are an interesting study, as they faithfully reflect the political history of the period. The following statement has been compiled from official records.\* They will show the proportion of the total revenues which was derived from the Land Tax, and the proportion of the total expenditure which was incurred in England as Home Charges.

Year.	Land Revenue.	Gross Revenue.	Expenditure in England.	Gross Expenditure.
	£	£	£	£
1837-38	11,853,975	20,858,820	2,304,445	19,857,970
1838-39	12,303,200	21,158,099	2,615,465	21,306,232
1839-40	12,273,982	20,124,038	2,578,966	22,228,011
1840-41	12,313,840	20,851,073	2,025,776	22,546,430
1841-42	12,154,587	21,837,823	2,834,786	23,534,446
1842-43	13,322,880	22,616,487	2,458,193	23,888,526
1843-44	13,228,850	23,586,573	2,944,073	24,925,371
1844-45	13,224,054	23,666,246	2,485,212	24,293,647
1845-46	13,386,517	24,270,608	3,044,067	25,662,738
1846-47	13,995,717	26,084,681	3,066,635	26,916,188
1847-48	14,437,254	24,908,302	3,016,07	26,746,474
1848-49	14,274,270	25,396,386	3,012,908	26,766,848
1849-50	15,218,694	27,522,344	2,750,93	26,960,988
1850-51	15,382,442	27,625,360	2,717,186	27,000,624
1851-52	15,391,664	27,832,237	2,506,377	27,098,462
1852-53	15,365,250	28,609,109	2,697,488	27,976,735
1853-54	15,838,649	28,277,530	3,262,289	30,240,435
1854-55	16,419,031	29,133,050	3,011,735	30,753,456
1855-56	17,109,971	30,817,528	3,264,629	31,637,530
1856-57	17,722,170	31,691,015	3,529,673	31,608,875
1857-58	15,117,911	31,706,776	6,163,043	41,240,571

It will be seen from these figures that in the first year of Queen Victoria's reign India showed a surplus,

\* The figures for the first two years have been obtained from a Return to an Order of the House of Commons, ordered to be printed June 22, 1855, and from the Commons' Committee's Report of 1852, Appendix 12. The figures for the other years have been taken from the Statistical Abstract relating to British India, 1840 to 1865, presented to both Houses of Parliament.

even after paying over two millions as Home Charges. This was due to the careful administration of Lord William Bentinck, and to the reforms and retrenchment effected by him and his successor, Sir Charles Metcalfe. But Lord Auckland arrived in India in 1838, and initiated the ambitious policy dictated by Lord Palmerston. And from that year India lost her surplus and showed a deficit, which continued under the administration of his successor, Lord Ellenborough.

The Sikh wars of the two next Governors-General, Hardinge and Dalhousie, made matters worse ; and it was not until the conclusion of the last Sikh War, and the annexation of the rich province of the Punjab, that India once more showed a surplus in 1849—50. But the young Imperialist who ruled the destinies of India soon lost the surplus. Before the close of Dalhousie's administration the gross expenditure of India went up by leaps and bounds to over thirty millions in 1853-54 ; and in spite of Dalhousie's annexations of Nagpur and other rich states, India continued to show a deficit up to the year of his departure, 1855—56.

Lord Canning showed a surplus in the first year of his administration, owing mainly to the annexation of Oudh, which had been effected immediately before his arrival. But the surplus was changed into a heavy deficit of ten millions in 1857—58, the year of the Indian Mutiny.

Another interesting but melancholy fact which we learn from the foregoing table is the steady increase of the expenditure in England—the Home Charges. Great Britain and India were equally gainers by the establishment and maintenance of the British Empire in India, and the cost of the Empire should have been shared by the two countries. And it would have been an act of strict justice if India had been charged nine-tenths of that cost incurred in India, and England had paid the remaining one-tenth, which was then incurred

in England. But the sword of the conqueror is thrown into the scale to-day as it was in the days of Brennus ; and financial arrangements are never dictated by strict justice between a subject and a ruling race. To India the annual Economic Drain was a pure loss ; the money flowed out of the country never to return again ; it went from a poor country to fructify the trades and industries of a rich country.

"With reference to its economical effects upon the condition of India," wrote a distinguished officer, "the tribute paid to Great Britain is by far the most objectionable feature in our existing policy. Taxes spent in the country from which they are raised are totally different in their effects from taxes raised in one country and spent in another. In the former case the taxes collected from the population at large are paid away to the portion of the population engaged in the service of Government, through whose expenditure they are again returned to the industrial classes. They occasion a different distribution, but no loss of national income."

"But the case is wholly different when the taxes are not spent in the country from which they are raised. In this case they constitute no mere transfer of a portion of the national income from one set of citizens to another, but an absolute loss and extinction of the whole amount withdrawn from the taxed country. As regards its effects on national production, the whole amount might as well be thrown into the sea as transferred to another country."

"The Indian tribute, whether weighed in the scales of justice or viewed in the light of our true interest, will be found to be at variance with humanity, with common sense, and with the received maxims of economical science. It would be true wisdom, then, to provide for the future payment of some of the Home Charges of the Indian Government, <sup>treasury</sup> <sup>35,200.</sup> Add as really form the tribute; out of the India on April 30,

chequer. These charges would probably be found to be the dividends on East India stock, interest on Home Debt, the salaries of officers and establishments and cost of buildings connected with the Home Department of the Indian Government, furlough and retired pay to members of the Indian Military and Civil Services when at home, charges of all descriptions paid in this country connected with British troops serving in India, and a portion of the cost of transporting British troops to and from India." \*

In another work,† tracing the rise and consolidation of the British Empire in India down to the accession of Queen Victoria we have seen that the total revenues of India from the commencement of the British rule down to 1837, exceeded the total expenditure incurred in India, in spite of the high pay of British officials and the wasteful expenditure of Indian wars. The figures which we have given in the present chapter show a similar excess of the income over the expenditure incurred in India during the first twenty-one years of the Queen's reign from 1837 to 1858. Therefore, if India had been relieved of Home Charges from the commencement of British rule, India would have had no Public Debt when she was transferred from the Company to the Crown in 1858, but a large balance in her favour. The whole of the Public Debt of India, built up in a century of the Company's rule, was created by debiting India with the expenses incurred in England, which in fairness and equity was not due from India. If the financial relations between India and Great Britain during the century had been referred to an impartial judicial tribunal, there can be little doubt what the verdict of that tribunal would have been. Great Britain had gained far more from India than was represented by the Home Charges; Great Britain should in equity and fair-

\* *Our Financial Relations with India*, by Major Wingate. London, 1859.

† *Economic History of British India (1757 to 1837)*, pp. 46, 69, 113, 291, and 408.

ness have borne those charges ; and India morally and justly had no Public Debt in 1858, but, on the contrary, could claim credit for excess payments made.

In justice, however, to the East India Company, it should be stated that the Home Charges under their administration was comparatively small, and was a little over one-tenth of the annual revenues of India. In the twenty years preceding the Mutiny the revenues rose from twenty millions to thirty-one millions, and the Home Charges rose from two and a half millions to three and a half millions. One of the saddest results of the administration of India under the Crown is that the Home Charges have been permitted to increase by leap and bounds, not only absolutely, but relatively to the revenues, the Crown Government being irresponsible. The result justifies the opinion of John Stuart Mill, quoted in the last chapter, that the administration of India through a Secretary of State and his Council " would be the most complete despotism that could possibly exist " under British rule.

The total Indian Debt, bearing interest, was little over 7 millions in 1792, and had risen to 10 millions in 1799. Then followed Lord Wellesley's wars, and the Indian Debt rose to 21 millions in 1805, and stood at 27 millions in 1807. It remained almost stationary at this figure for many years, but had risen to 30 millions in 1829, the year after Lord William Bentinck's arrival in India. That able and careful administrator was the only Governor-General under the East India Company who made a substantial reduction in the Public Debt of India, and on the 30th April 1836 the Indian Debt was £26,947,434\*

The following table shows the Public Debt of India for twenty-one years, from the year of Queen Victoria's

\* This was the "Registered Debt." Besides this, there were Treasury Notes and Deposits, making the total "Indian Debt," £29,832,200. Add to this the "Home Bond Debt," and the total Debt of India on April 30, 1836, was £33,355,536.



accession to the abolition of the East India Company. The figures have been compiled from official records.\*

The increase of  $2\frac{1}{2}$  millions in the total Debt in 1839-40, shown in the table, was not a real one ;

Year.	Indian Debt.	Debt in England.	Total.
	£	£	£
1837-38 ..	30,249,893	3,522,825	33,772,718
1838-39 ...	30,231,162	1,734,300	31,965,462
1839-40 ...	32,750,697	1,734,300	34,484,997
1840-41 ...	34,187,827	1,734,300	35,922,127
1841-42 ..	36,670,173	1,734,300	38,404,473
1842-43 ...	38,744,340	1,734,300	40,478,640
1843-44 ...	40,149,151	1,734,300	41,883,451
1844-45 ...	41,203,150	2,299,600	43,502,750
1845-46 ...	41,592,249	2,299,600	43,891,849
1846-47 ...	44,584,625	2,299,600	46,884,225
1847-48 ...	45,957,613	2,799,600	48,757,213
1848-49 ...	47,151,018	3,899,500	51,050,518
1849-50 ...	50,035,268	3,899,500	53,934,768
1850-51 ...	51,199,815	3,899,500	55,099,315
1851-52 ...	51,215,193	3,899,500	55,114,693
1852-53 ...	52,313,094	3,920,592	56,233,686
1853-54 ...	49,762,876	3,920,592	53,683,468
1854-55 ...	51,615,528	3,915,593	55,531,120
1855-56 ...	53,848,922	3,915,317	57,764,239
1856-57 ...	55,546,652	3,915,317	59,461,969
1857-58 ...	60,704,084	8,769,400	69,473,484

the apparent rise is simply due to two different systems of keeping the accounts followed in the two records from which the figures have been taken, as has been explained in the footnote. But from 1840-41

\* The Commons' Committee's Report of 1852, Appendix 2, gives figures for seventeen years, from 1833-34 to 1849-50. The Statistical Abstract gives figures for twenty-six years, 1839-40 to 1864-65. For ten years, therefore, 1839-40 to 1849-50, we have figures in both the records, but the figures do not agree. The total debt for 1839-40, for instance, according to the Commons' Report, was £32,438,078, while according to the Statistical Abstract, it was £34,484,997. Some portion of the total debt must have been left out in the table given in the Commons' Report, Appendix 2. I have taken my figures for two years only from the Commons' Report, i.e. for 1837-38 and 1838-39, as the Statistical Abstract gives no figures for those years. For the remaining nineteen years, 1839-40 to 1857-58, I have taken my figures from the Statistical Abstract, as being the more correct record of the total debt of India.

Lord Auckland's unfortunate Afghan War began to tell on the finances of India, and the total Debt of India rose from  $34\frac{1}{2}$  millions to  $43\frac{1}{2}$  millions by 1844-45. The East India Company were not alone in protesting against the expenses of the Afghan War being thrown on the finances of India; there were many members of the House of Commons who agreed with John Bright when he said: "Last year I referred to the enormous expense of the Afghan War—about 15 millions sterling—the whole of which ought to have been thrown on the taxation of the people of England, because it was a war commanded by the English Cabinet, for objects supposed to be English."\*

The annexation of Sindh by Lord Ellenborough, and the Sikh Wars of Lord Hardinge and Lord Dalhousie brought fresh liabilities, and the total Debt of India rose to 55 millions by 1850-51. There was a fluctuation after this, and endeavours were made to reduce the Debt, but it rose in the last year of Lord Dalhousie's administration to  $59\frac{1}{2}$  millions. The Mutiny which occurred in 1857 raised the Debt in one year by 10 millions, so that on April 30, 1858, the total Debt of India stood at  $69\frac{1}{2}$  millions sterling.

If ever there was a case of justifiable rebellion in the world, says an impartial historian,† it was the rebellion of Hindu and Mussulman soldiers in India against the abomination of cartridges greased with the fat of the cow and the pig. The blunder was made by British Administrators, but India paid the cost. Before this, the Indian Army had been employed in China and in Afghanistan; and the East India Company had received no payments for the service of Indian troops outside the frontiers of their dominions. But when British troops were sent to India to suppress the Mutiny, England exacted the cost with almost unexampled rigour.

\* John Bright's speech made on August 1, 1859.

† Lecky's *Map of Life*.

"The entire cost of the Colonial Office, or, in other words, of the Home Government of all British colonies and dependencies except India, as well as of their military and naval expense, is defrayed from the revenues of the United Kingdom ; and it seems to be a natural inference that similar charges should be borne by this country in the case of India. But what is the fact ? Not a shilling from the revenues of Britain has ever been expended on the military defence of our Indian Empire."

"How strange that a nation, ordinarily liberal to extravagance in aiding colonial dependencies and foreign states with money in their time of need, should, with unwonted and incomprehensible penuriousness, refuse to help its own great Indian Empire in its extremity of financial distress."

"The worst, however, is not yet told ; for it would appear that when extra regiments are despatched to India, as happened during the late disturbances there, the pay of such troops for six months previous to sailing is charged against the Indian Revenues, and recovered as a debt by the Government of India to the British army pay-office."

"In the crisis of the Indian Mutiny, then, and with the Indian finances reduced to an almost desperate condition, Great Britain has not only required India to pay for the whole of the extra regiments sent to that country, from the date of their leaving these shores, but has demanded back the money disbursed on account of these regiments for the last six months' service in this country previous to sailing for India."\*

But a greater man than Sir George Wingate spoke on the subject of the Mutiny expenditure in his own frank and fearless manner. "I think," said John Bright, "that the 40 millions which the revolt will cost, is a grievous burden to place upon the people of India. It has come from the mismanagement of the Parliament

\* *Our Financial Relations with India*, by Major Wingate. London, 1859.

and the people of England. If every man had what was just, no doubt that 40 millions would have to be paid out of the taxes levied upon the people of this country."\*

We make these extracts and mention these facts, not to recall an almost forgotten controversy, but simply with the object of clearly explaining the genesis of the Indian Debt. The popular impression is that the Indian Debt arose out of capital spent by England for the conquest and administration of India, and for the development of her resources. The facts explained in the present chapter will show that that was not the genesis of the Indian Debt up to 1858. India had paid for her own conquest and her own administration; and what little English gold had found its way to India down to the last year of the Company's rule was an insignificant portion of the tribute India had paid for a century. It is impossible to calculate even approximately what this payment amounted to. Sir George Wingate reckons it at 100 millions from the beginning of the nineteenth century down to 1858, without calculating interest. Montgomery Martin reckons it at over 700 millions during the first thirty years of the century, calculating compound interest at Indian rate of 12 per cent. And these calculations exclude the sums remitted from India in the eighteenth century.

It was this tribute, exacted as Home Charges, which was the genesis of India's debt. India paid for her own administration; paid also for the frequent wars of conquest and annexation in India. But she could not pay the full tribute demanded over and above these local expenses. Deficit occurred year after year, and thus a Debt was piled up which amounted to sixty millions when Lord Dalhousie left India. And the first year of the Mutiny expenses

\* John Bright's speech on East India Loan, March 1859.

brought it up to seventy millions when the East India Company was abolished.

Would England at least guarantee this Debt thus accumulated? That would reduce the annual interest on the Debt by over a million sterling, and would so far relieve the tax-payers of India. Lord Stanley, afterwards Lord Derby, cautiously suggested it in 1859.

"I am aware the uniform policy of the Parliament and the Government of this country has been to decline all responsibility in regard to the Debt of India, which has been held to be a charge only on the Indian Exchequer. Dealing with the present state of affairs I may say at once that I am not going to recommend any change in that policy. I know well the alarm which any such proposition would create, and I know the refusal which it would inevitably receive. But this is a question which will recur again and again, and which will have to be considered in the future as well as in the present."

"I would likewise ask the House to bear in mind that if ever the time should come when the established policy in this respect should undergo a change, and when a national guarantee should be given for these liabilities, that guarantee would operate to reduce the interest paid upon the Indian Debt by no less than £750,000, or even £1,000,000, which, formed into a sinking fund, would go far to pay off the whole."\*

Six months after it was John Bright himself who opposed the idea of giving an Imperial guarantee to the Indian Debt. And his reasons were characteristic.

"I do not oppose an Imperial guarantee because I particularly sympathise with the English tax-payers in this matter. I think the English tax-payers have generally neglected all the affairs of India, and might be left to pay for it. . . . But I object to an Imperial guarantee on this ground—if we left the Services of

\* Lord Stanley's speech on East India Loan, February 1859.

India, after exhausting the resources of India, to put their hands into the pockets of the English people, the people of England having no control over Indian expenditure, it is impossible to say to what lengths of unimagined extravagance they would not go ; and in endeavouring to save India may we not go far towards ruining England ?" \*

Even John Bright did not see that the people of England would have very soon ceased to neglect the affairs of India, and would have obtained a real control over Indian expenditure, its some share of the liability of the Indian Debt had been thrown on them.

\* John Bright's speech, August 1, 1859.

## CHAPTER VII.

### TRADE AND MANUFACTURES, 1858 TO 1877.

LORD CANNING undertook a great reform in the Indian Tariff. In February 1857, a year after his arrival in India, he addressed the Court of Directors on the subject. He proposed to equalise the duties on British and foreign merchandise, on raw and manufactured articles. He desired to exempt from duty a large number of articles which produced little revenue. He wished to abolish export duties, and to augment import duties. The proposals remained in abeyance during the Mutiny of 1857 ; and, in 1858, the East India Company ceased to rule.

Lord Stanley, the first Secretary of State for India under the Crown, replied to Lord Canning in April 1859. The liabilities of India had vastly increased in consequence of the Mutiny, and the financial difficulties were greater. Lord Stanley, therefore, modified Lord Canning's proposals, so as to secure a larger revenue. British and foreign manufactures should be treated equally by raising the duties on British goods to the foreign rates. Duties on petty articles should *not* be abolished. Export duties should *not* be abandoned. Import duties should be increased.

Before receipt of this despatch, the Indian Government had already passed Act vii. of 1859, raising the duties on British goods to foreign rates, and taking power to levy the increased duties even on current contracts. And on receipt of the Secretary of State's despatch, Lord Canning replied that the Act recently passed was virtually in accordance with the instructions contained in the despatch.

But the Act gave great dissatisfaction to British

merchants in India ; and when James Wilson, the first Indian Finance Minister, went out to India, he had instructions to try and allay the irritation which had been caused.\* Accordingly, in 1860, he abolished the export duties on Indian raw products, and considerably reduced import duties on manufactures. British merchants were conciliated ; and India suffered a loss of revenue at the time of her sorest need.

In the same year, a committee was appointed to inquire into the subject of Indian tariffs generally. Two British merchants of Calcutta and Bombay formed the committee, and Ashley Eden, afterwards Lieutenant-Governor of Bengal, presided. The committee submitted their report in 1860, and suggested a uniform tariff and important customs reforms. A second committee was appointed in 1867, and submitted a revised tariff. A third tariff was prepared in 1869, and in the following year Lord Mayo's Government passed Act xvii. of 1870. The Act fixed the import duties generally at  $7\frac{1}{2}$  per cent. on manufactured goods and raw material, at  $3\frac{1}{2}$  per cent. on twist and 5 per cent. on piece goods, at 1 per cent. on iron and 10 per cent. on tobacco. The principal export duties were 6s. on a Maund (82 lbs.) of indigo, 3d. on a Maund of grain, 4 per cent. on lac, and 3 per cent. on oils, seeds, cotton goods, hides, and spirits.

Further changes were made in the following year by Act xiii. of 1871. The principal import and export duties, fixed by the Act, are given on p. 132.

Valuable evidence on the operation of these duties on trade was given before the Select Committees of the House of Commons which sat in 1871, 1872, 1873, and 1874. It is necessary therefore to refer to some portions of this voluminous evidence.

John Nutt Bullen, a prominent Calcutta merchant who had sat on Ashley Eden's Tariff Committee of 1860,

\* See Sir Bartle Frere's evidence before the Select Committee of the House of Commons, 1871.



*Import Duties.*

Apparel, arms, cabinet-ware, candles, carriages, clocks, cotton, &c.	...	...	... 7½ per cent.
Cotton twist	...	...	... 3½ "
Piece goods	...	...	... 5 "
Medicines	...	...	... 7½ "
Colouring materials	...	...	... 7½ "
Fruits, glass, skins, jewellery, ivory, and leather	...	...	... 7½ "
Beer	...	...	... 1½d. per gallon,
Spirits	...	...	... 6s. "
Wines	...	...	... 3s. "
Iron	...	...	... 1 per cent.
Other metals	...	...	... 7½ "
Naval stores, oils, paints, perumery, porcelain, provisions, and oilman's stores	...	...	... 7½ "
Silk	...	...	... 7½ "
Sugar	...	...	... 7½ "
Tobacco	...	...	... 10 "
Woollen piece goods	...	...	... 5 "

*Duties.*

Cotton goods	...	...	... 3 per cent.
Grain of all sorts	...	...	... 4½d. per maund,
Hides	...	...	... 3 per cent.
Indigo	...	...	... 6s. per maund.
Shell lac, lac dye	...	...	... 4 per cent.
Oils	...	...	... 3 "
Seeds and spices	...	...	... 3 "

complained of the export duty of 4½d. per maund (82lbs.) of grain, and said it fell on the grower of rice, and was, to that extent, an addition to the Land Tax. The import duty of 5 per cent. on cotton piece goods was, he considered, moderate and unobjectionable.\* There were only two or three cotton spinning and weaving mills in Calcutta.

Sir Bartle Frere spoke guardedly on the effect of keeping down the import duty on cotton piece goods in order to foster the sale of British goods. "There is this difficulty," he said, "that the interests of India and of England on that point seem rather at variance. No doubt some considerable increase of revenue might be realised by increasing the import duties, say, upon piece goods and yarns, but the direct result of that would be to

\* Select Committee's Report. 1871; Question 6014.

diminish consumption and to stimulate production on the spot." \*

On the other hand, Walter Cassels, who had been a Bombay merchant and a member of the Bombay Legislative Council, argued that even the small import duty of 5 per cent. on cotton piece goods operated as a protective duty. And he looked with a jealous eye on the growth of the cotton spinning and weaving industry in Bombay. "I say they are protective duties. I do not advocate their abolition solely for that reason. I do not know whether you are aware that, for instance, in the Bombay Presidency there are 12 cotton mills, employing (a very small amount, of course, for Manchester) 319,394 spindles, 4199 looms, and 8170 hands, consuming, I think, 62,000 bales of cotton of 400 lbs. each annually."†

British administrators in India marked with satisfaction, rather than with jealousy, the growth of the infant cotton industry of Bombay; but in matters of Indian administration they were the servants of the British merchant and the British voter. The veteran Sir Charles Trevelyan, who had served India with credit and distinction under a former generation of rulers, and who had, at a later period of his life, been Governor of Madras and Finance Minister of India, spoke with some warmth against the sacrifice of legitimate Indian revenues under the mandate of British manufacturers. "Although the trade of India," he said, "increased in these ten years from £60,000,000 to £106,000,000, the Customs yielded £1,013,500 less. If Customs Duties are a legitimate source of revenue, so small an amount as £2,400,000 for the whole of India is simply ridiculous."‡

Lord Lawrence, too, felt deeply on this point. As Viceroy of India he had tried to raise the export duties on jute and other Indian products in 1865, to get a little additional revenue and save the country from a

\* Select Committee's Report, 1871; Question 5608. † *Ibid.*; Question 7962.  
‡ *Ibid.*; 1873; Question 923.

deficit. But British interests had been too strong for him, and the Secretary of State for India had disallowed his proposals. Eight years after, when he was questioned as a witness by Mr. Fawcett, he guardedly expressed his painful impressions of the influence of British trade over the financial policy of India.

*Henry Fawcett.*—With reference to export duties ; if an attempt was made to increase the export duties, to put an export duty, for instance, upon cotton or upon jute, it would, *pro tanto*, place the trade of India in a comparatively speaking, unfavourable position, and would bring to bear against the Government of India the very powerful pressure of the commercial classes in England, would it not ?

*Lord Lawrence.*—That is quite true.

*Henry Fawcett.*—Do you think, considering that India is scarcely represented at all in this House, and that the commercial classes of England are powerfully represented in it, that any Government would, for one moment, be likely to resist an opposition, brought to bear upon them from people who have votes, against putting on such an export duty ?

*Lord Lawrence.*—I think not.

*Henry Fawcett.*—Therefore, considering how India is governed, that India is governed by the House of Commons, and that India is governed by the Secretary of State, who, after all, is a Member of the Cabinet whose existence depends upon the votes of the House of Commons, you cannot rely upon the imposition of an export duty as giving you an increase of revenue in India, can you ?

*Lord Lawrence.*—I am afraid not. \*

It is necessary to make one more extract here from Mr. Fawcett's examination of Lord Lawrence to indicate the extent to which the Secretary of State and his Council did, and could, safeguard Indian interests

\* Select Committee's Report, 1873 ; Questions 5580 to 5582,

against British commercial interests. The passage in question illustrates a painful truth which is as relevant to-day as it was thirty years ago.

*Fawcett.*—With regard to the relations between the Secretary of State and his Council, I understood in your previous examination that you said, speaking, for instance, as a typical case in reference to the Indo-European Telegraph, that when it was proposed to throw the whole expense of that telegraph on India, instead of making England bear a part of it, there would be no use in the Council of the Secretary of State objecting, because they had no political influence, and they were unable to resist the pressure which was brought to bear upon the Secretary of State from outside?

*Lord Lawrence.*—I said that was the practical result ; I think the Council did act in many cases as a very considerable buffer between the people pressing on expenditure in India and the Secretary of State, and in many ways helped the Secretary of State to resist that pressure ; but when it came to be a very important matter, in which the interests and the feelings of merchants in England were enlisted, then, I think, the Council could not resist it with any effect.

*Fawcett.*—But were they not appointed, and was not this great charge thrown upon the revenues of India, with no other object than that they should resist ? That was the chief object with which they were appointed, was it not ? If not, the duties which they performed might be performed, as they are in other Government Departments, by the permanent officials, the Under-Secretaries. Why, therefore, should they not, if they thought that this expenditure was wrong, say : “ We are receiving a salary from the revenues of India ; we care nothing about the political pressure that may be brought to bear upon the Secretary of State ; no power on earth shall induce us to sanction an expenditure of money which we think is wrong, so far as the interests of India are concerned” ?

*Lord Lawrence.*—"I think if you had no Council that practically there would be a great difficulty in that way. The Council may not be a perfect machinery, or a perfect buffer between those who want unduly to put expenditure on India and the Secretary of State, still they do a great deal in that way. I am sure from my experience of the five years that I was in Council, that had there not been a Council, a very great deal would have been put on India, which was not put on it, in consequence of the remonstrances of the Council.

*Fawcett.*—But still, without now discussing whether the Council do any good whatever, or whether it would not be desirable completely to abolish them, I want to know why was it not their first duty to the interests of India to resist—and how can it be said that they were not disregarding an important trust if they did not resist—this political pressure that you refer to, and did not say that no power on earth should induce them to sanction an expenditure which they thought wrong towards the people of India ? For what other purpose did they receive their salaries except to do that ?

*Lord Lawrence.*—That seems theoretically a very simple way of acting ; but I think in practice it is extremely difficult ; and I think, moreover, that if the Council had acted in that kind of way, they would not have succeeded. Some movement would have been made in Parliament, or elsewhere, whereby they would have been perhaps done away with, or their powers would have been so shackled that, in point of fact, they would have been less able to work than they hitherto did work.\*

The total imports and exports of India during the last years of the Company's administration have been given in a preceding chapter. We exhibit below the figures for the first nineteen years of the Queen's administration, from 1859 to 1877. These figures are taken

\* *Select Committee's Report, 1873 ; Questions 5597 to 5599.*

from the "Statistical Abstracts relating to British India" annually published and presented to Parliament.

Trade of India with all Countries.				
Year ending in.	Import of Merchandise.	Import of Treasure.	Total Imports.	Total Exports.
	£	£	£	£
1859	21,728,579	12,817,071	34,545,650	30,532,298
1860	24,205,140	16,356,963	40,622,103	28,889,210
1861	23,493,716	10,677,077	34,170,793	34,090,154
1862	22,320,432	12,951,985	37,272,417	37,000,397
1863	22,632,384	20,508,976	43,141,353	48,970,785
1864	27,145,590	22,962,581	50,108,171	66,895,884
1865	28,150,923	21,363,352	49,514,275	69,471,791
1866 <sup>*</sup>	29,599,228	26,557,301	56,156,529	67,656,475
1867	29,038,715	13,236,904	42,275,619	44,291,497
1868	35,705,783	11,775,374	47,481,157	52,446,002
1869	35,990,142	15,155,954	51,146,096	54,457,745
1870	32,927,520	13,954,807	46,882,327	53,513,729
1871	34,469,119	5,444,823	39,913,942	57,556,951
1872	32,091,850	11,573,813	43,665,663	64,685,376
1873	31,874,625	4,556,585	36,431,210	56,548,842
1874	33,819,828	5,792,534	39,612,362	56,910,081
1875	36,222,113	8,141,047	44,363,160	57,984,549
1876	38,891,656	5,300,722	44,192,378	60,291,731
1877	37,440,631	11,436,120	48,876,751	65,043,789

It will appear from these figures that, during the first two years after the Mutiny, India received much more than she sent out, and that during the two succeeding years her imports were about equal to her exports. This equilibrium did not last long; in the year ending in April 1863 India exported nearly six millions more than her imports, and this difference went up to over sixteen millions in 1864, and to twenty millions in 1865. The difference decreased then for five years; but after 1870 it settled down to a figure generally between fifteen and twenty millions sterling a year. This heavy and impoverishing Economic Drain from India, which followed so soon after the commencement of the Crown administration, presented

\* The official year terminated on April 30 up to 1866. From 1867 the official year terminated on March 31. Therefore the figures for the year ending in 1867 are for eleven months only, from May 1, 1866, to March 31, 1867.

a melancholy contrast to the comparatively light tribute which India had paid under the Company's administration. For the difference between the imports and the exports of India during the last years of the Company's administration was something between three and four millions a year, as we have seen in a previous chapter.

Within twelve years after the change in administration, the Economic Drain from India had increased fourfold. India suffered this steady and increasing drain, and prepared herself for those frequent and widespread famines which marked the last quarter of the nineteenth century. They were the natural economic results of a continuous drain such as no country on earth could bear.

And while India suffered, the British nation, as a nation, did not gain. The manufacturers and operatives of Great Britain, who formed the nation, would have obtained larger profits from an increasing trade with India if the country had grown in wealth and prosperity. But a poor people are poor consumers of foreign articles. The total merchandise imported into India from all countries of the world showed a slight increase from 36 millions in 1868 to 37½ millions in 1877. Over one-half of this was British produce, and the consumption of British produce therefore scarcely increased a million in ten years.

The true character of the trade with India will appear more clearly if we pass in review the principal articles of import and export. The principal imports are exhibited in the table on the opposite page.

The import of cotton goods into India, which was arrested during the Mutiny years at a figure under five millions sterling, went up by a bound to eight millions in 1859, and rose to double that figure in ten years. The people of India did not use much more cotton clothing in 1869 than they did in 1859; and the increase of imports indicated a corresponding decrease in Indian manufacture. From an economic point of view, the people had gained by obtaining cheaper clothing, while they had

## Imports into India from all Countries.

Year.	Cotton Twist and Yarn	Cotton Goods.	Silk Goods	Woollen Goods.	Machinery.	Metal Manufac- tures.
	£			£	£	£
	1,714,216	8,088,927	147,740	294,258	587,566	447,011
	2,047,115	9,651,813	224,116	358,557	871,531	454,457
	1,748,183	9,309,935	259,596	222,813	870,251	386,748
	1,472,484	8,772,916	198,442	245,650	553,883	383,694
	1,270,304	8,360,229	342,111	296,221	506,518	424,188
	1,529,001	10,416,662	456,78	611,570	585,516	418,673
	2,191,440	11,035,885	443,949	867,831	554,156	608,104
	1,961,144	11,849,214	357,380	583,132	586,182	647,205
	2,572,700	12,524,106	415,070	576,481	601,740	359,422
	2,693,350	14,999,917	423,598	601,957	1,057,861	
	2,779,934	16,072,551	486,518	764,173	793,183	
	2,715,370	13,555,846	466,593	596,713	555,742	
	3,357,393	15,687,476	425,527	583,220	447,543	
	2,424,522	15,058,811	480,918	514,194	405,835	
	2,628,296	14,605,953	560,646	719,530	517,316	
	2,628,959	15,155,666	608,374	668,911	1,002,347	
	3,157,780	16,263,560	710,478	557,585	1,185,943	
	2,794,769	16,450,212	708,866	869,760	1,391,667	475,338
	2,733,514	15,991,719	584,780	811,652	882,773	440,190

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lost to a much larger extent by the loss of their weaving industry. For the loss was not replaced by any new industry; and millions of weavers sank to the level of agricultural labourers, and increased the pressure on the soil.

The same remark applies to the consumption of silk and woollen goods. The imports of the former increased from two to six hundred thousand pounds, and of the latter from three to eight hundred thousand pounds—displacing to that extent the weaving industries of India.

The fall in the imports of the last year, *i.e.* of the year ending March 31, 1877, was owing to a widespread distress in Southern India, which deepened into the terrible famine of 1877. Twenty years of peace had brought no prosperity to India; and the year chosen by Lord Lytton for his Delhi Durbar festivities

\* Described from 1876 as "Hardware, cutlery, and plated ware."



was unhappily a year of the worst famine that India had yet known within the century.

The table on p. 141 shows the principal exports from India to all countries of the world between 1859 and 1877. We have selected only those articles the export of which exceeded two millions sterling in 1877.

The first article of export in the table is raw cotton, and the extraordinary variation in the quantities exported is both striking and instructive. Great Britain, desirous of creating a self-contained empire, had long endeavoured to obtain from the tablelands of Berar and Bombay the cotton required by the looms of Lancashire. A Parliamentary Committee had been appointed, as our readers will remember, in 1848, and John Bright, Chairman of the Committee, had held out no hopes of India largely adding to her supply to the cotton mills of England. The idea of a self-contained empire had proved a dream ; England had to obtain her raw material from the country which grew it cheapest and best ; and America produced the best cotton for the Lancashire looms. When the British nation were settling down to this sane economic conclusion, the Civil War of America suddenly disturbed and restricted the supply of cotton from that country. India then came to the rescue ; and she supplied what America failed to supply. The export of cotton from India rose from ten to eighteen millions sterling in 1862-1863 ; to thirty five millions in the next year ; and to thirty seven millions in the year following. There were people who hoped at the time that Great Britain might dispense with American cotton in the future, and that her Indian Empire would henceforth supply the requirements of the Lancashire operatives. But the hope was soon dispelled. Peace returned to America ; and trade returned to its natural channel. The export of Indian cotton fell as suddenly as it had risen ; and by 1866-67 it had fallen no less

# Exports from India to all Countries.

Year.	Raw Cotton.	Indigo.	Rice, Wheat, and other Grains.	Hides and Skins.	Jute <sup>1</sup>	Opium.	Seeds.	Tea.
	£	£	£	£	£	£	£	£
1859	4,094,100	2,118,016	2,801,871	544,680	917,523	10,827,642	2,059,445	60,533
1860	5,637,624	2,021,288	3,588,562	444,537	623,995	9,054,394	1,548,721	127,771
1861	7,342,168	1,886,525	3,350,877	661,725	768,715	10,184,713	1,785,126	151,981
1862	10,203,470	1,647,503	4,039,938	794,137	724,455	10,553,912	1,206,331	192,442
1863	18,779,040	2,126,870	3,727,910	904,289	882,084	12,494,128	1,833,851	223,763
1864	35,864,795	1,756,158	4,325,377	897,575	1,618,244	10,756,093	2,032,832	271,229
1865	37,573,637	1,860,141	5,956,408	725,236	1,410,702	9,911,804	1,912,433	301,022
1866	35,587,389	1,861,501	5,247,918	609,803	1,083,522	11,122,746	1,750,197	309,899
1867	16,458,277	1,798,599	3,651,832	659,342	1,040,876	10,431,703	1,787,996	378,126
1868	20,092,570	1,823,226	3,961,225	988,282	1,309,537	12,339,799	2,160,572	729,714
1869	20,149,825	2,893,823	4,574,708	1,252,898	1,891,899	10,695,654	1,994,888	983,757
1870	19,079,138	3,178,045	3,221,454	1,691,330	1,984,495	11,693,330	2,308,942	1,080,515
1871	19,460,899	3,192,503	4,468,958	2,020,819	2,577,553	10,783,863	3,522,305	1,139,703
1872	21,272,430	3,705,475	4,865,748	2,525,925	4,117,308	13,365,228	2,728,788	1,482,186
1873	14,022,858	3,426,824	6,073,635	2,921,910	4,142,548	11,426,280	1,508,339	1,590,926
1874	13,212,241	3,555,300	6,548,346	2,618,358	3,436,015	11,341,857	2,361,451	1,754,618
1875	15,257,342	2,576,302	5,488,169	2,677,767	3,246,882	11,956,972	3,235,950	1,463,550
1876	13,280,959	2,875,065	6,421,137	2,944,933	2,805,340	11,148,426	5,462,388	2,183,881
1877	11,746,184	2,962,786	7,988,189	3,000,552	2,636,647	12,404,748	5,319,447	2,670,140

\* The figures for the years 1859 to 1867 show both raw and manufactured jute,—as they have not been given separately in the *Statistical Abstract*. Roughly, three-fourths or more were exported raw, and one-fourth or less was manufactured. The figures for the subsequent years, 1868 to 1877, represent only the value of the raw jute exported.

than twelve millions. It was unfortunate for Bombay that the revision of her land-settlements began in the very years when accidental causes had brought about a temporary prosperity. Settlement Officers were induced to make those enormous enhancements in the Land Tax which have been described in another chapter, and which led to hardship and misery; and to rioting and disturbance, in 1875. The incident illustrates forcibly the evils of a varying Land Revenue demand in a country which is mainly agricultural. A nation of cultivators can never permanently improve their own condition if the State is ever ready to screw up its demands with the first signs of prosperity.

While the export of raw cotton underwent these variations, the export of Indian cotton goods, including twist and yarn, slowly improved. In 1858-59 the value of the export was £813,604; in 1863-64 it had risen to £1,167,577; in 1869-70 it was £1,298,757; and in 1876-1877 it had risen to £1,935,198, or nearly two millions. This aroused the jealousy of Manchester, and led to fiscal legislation which will be described in a future chapter.

The export of rice, wheat, and other food grains rose from under three millions to nearly eight millions in the nineteen years under review. Such a rise, in a country maintaining its commercial independence, is an indication of prosperity; but the commerce of India was forced and artificial. India had to meet a heavy drain which flowed annually into Great Britain without a direct commercial equivalent; she was unable to meet this demand by manufactured articles; and she met it therefore with the food supply of the people to a larger extent than she would have otherwise exported.

It is instructive, if somewhat painful, to watch how this process works. The annual Economic Drain to Great Britain is met directly from the revenues of

India. A great part of the revenues of India is derived from the soil in the shape of the Land Revenue. The Land Revenue is realised, generally, from cultivators in Southern India, and from landlords in Northern India who in their turn exact rents from their tenants. Cultivators pay their revenue or their rents by selling a large portion of the produce of their fields, keeping an insufficient stock for their own consumption. Exporting merchants have their agents all over the country to buy what the cultivators are compelled to sell; and railways rapidly transport these purchases to seaports whence they are exported to Europe. India presents a busy scene to the winter globe-trotter when these transactions take place in every large town and market; but under the cheering appearance of a brisk grain trade lies concealed the fact that the homes and villages of a cultivating nation are denuded of their food to a fatal extent, in order to meet that annual tribute which England demands from India.

It thus happens that, even on the eve of great famines, the export of food goes on as briskly as ever, because the grain has to be sold to meet a rigid Land Revenue demand. In 1876-77, when India was on the brink of one of the severest famines of the country, she exported a larger quantity of food grains, as will appear from the foregoing table, than she had ever done in any preceding year. And even a province, actually suffering from famine, will continue to export food to an extent which bears some proportion to the amount of the Land Revenue realised from the province during the famine.

There are other far-reaching results of the demand of Indian rice and wheat in Europe which it is interesting to watch. The demand has had some effect in extending cultivation; and where the Land Revenue is permanently settled, this means a substantial increase to the wealth of the people. There can be little doubt

that the people of Bengal are more resourceful in the present day than they were a century ago, owing to the large increase of cultivation in Bengal. The same remark can scarcely be made in respect of Madras and Bombay, where extension in cultivation leads to increase in the Land Revenue, sometimes out of proportion to the benefits obtained. It is sometimes forgotten that the lands last taken up are inferior in productive powers; and increase in the Land Revenue in proportion to the cultivated area is an increase out of proportion to the produce. When such blunders are committed, the extension of cultivation makes the people poorer, not richer.

Again, the demand of Indian produce in Europe affects the prices of the food grains. As the population of India is mainly a grain-producing nation, the rise in the price of food grains is an economic gain to the nation. But in this case also, a reservation has to be made. The signs of agricultural prosperity often induces Settlement Officers to screw up the Land Revenue, and the cultivators are left poorer when the prices fall again. All these considerations show the effects of a varying Land Revenue on the welfare of an agricultural nation.

The export of hides and skins went up from half a million sterling to three millions. This was an economic gain to the people in one way, but involved a loss in another direction; for the export of so much of skins indicated the decline of the leather industry in India. The export of jute also went up from a million to three or four millions in the early 'seventies. Most of the jute was grown in a few districts in Bengal; and while this new article of export added to the resource of cultivators, it restricted the area of land under rice cultivation.\*

\* Mymensingh is one of the great jute-producing districts in Bengal, and nearly a third of the rice lands was under jute in the years 1887 to 1890 when I was in charge of that district.

The export of opium was steady, and even showed an increase during the period under review ; and as the Government had the monopoly of that article, the profits from the export was a gain to the revenues of India.

The export of seeds increased from two to five millions during the nineteen years, and this was a loss of manure to India. The refuse of oil seeds, after the oil is expressed, is one of the best manures that can be used ; and if the seeds had been used in India and the oils exported, an ample supply of manure would have been available for the purposes of cultivation. To export the entire seed is, in the words of Dr. Voelcker, "to export the soil's fertility." \*

The indigo and tea exported were mainly grown and prepared by British capital and by Indian labour. The profits of the capital went to the shareholders in England ; the wages of labour remained with the people of India. The many acts of coercion and oppression, by which an unwilling peasantry was forced to grow indigo by planters in Bengal, led at last to a serious disturbance and rioting in 1860. Dina Bandhu Mitra, an India writer, exposed the oppression in a drama of remarkable power ; and the Rev. James Long translated it into English, for which public-spirited act he was fined and imprisoned by the High Court of Calcutta. The Hon. Ashley Eden, afterwards Lieutenant-Governor of Bengal, supported the cause of the oppressed cultivators : and an inquiry made by a Commission disclosed the many evils of the system. The question came up through Lord Canning to Sir Charles Wood, then Secretary of State for India, and that strong and upright administrator exerted himself to remove the evils which had stained the history of this industry. Large classes of the Bengal cultivators freed themselves, and refused to grow indigo

\* Dr. Voelcker's Report on Indian Agriculture.

under compulsion. The figures given in the table above will show that the export of indigo steadily went down between 1859 and 1862, and that it was not till 1869 that it showed indications again of a steady rise. A different cause—the invention of artificial indigo—finally ruined this industry in India at the close of the century.

On the other hand the export of tea showed no fluctuations, but a steady and rapid rise—the export increased fortyfold in nineteen years, from £60,000 in 1858–59, to over 2½ millions in 1876–77. The rise was continuous and uninterrupted—every year within this period ended in a larger export than the preceding year. Many wild wastes in hills and valleys have been thus converted into gardens, and hundreds of thousands of poor people have found employment in these gardens. But a dark stain is cast on this industry by what is known as the “slave-law” of India. Ignorant men and women, once induced to sign a contract, are forced to work in the gardens of Assam during the term indicated in the contract. They are arrested, punished, and restored to their masters if they attempt to run away; and they are tied to their work under penal laws such as govern no other form of labour in India. Hateful cases of fraud, coercion, and kidnapping, for securing these labourers, have been revealed in the criminal courts of Bengal, and occasional acts of outrage on the men and women thus recruited have stained the history of tea-gardens in Assam. Responsible and high administrators have desired a repeal of the penal laws, and have recommended that the tea-gardens should obtain workers from the teeming labour markets of India under the ordinary laws of demand and supply. But the influence of capitalists is strong; and no Indian Secretary of State or Indian Viceroy has yet ventured to repeal these penal laws, and to abolish the system of semi-slavery which still exists in India.

## CHAPTER VIII.

### HISTORY OF TARIFFS, 1858 TO 1879.

WHILE Indian administrators thus strove to maintain an equilibrium in the Indian finances by new taxes on agriculture, a mandate came from England in 1874 that an old and legitimate revenue, derived from a moderate import duty, should be sacrificed to meet the wishes of the manufactures of Lancashire. We have, in preceding chapters, given some account of Indian tariffs down to 1871 ; but a brief connected history of Indian tariffs will help a clearer comprehension of the controversy which arose three years later.

When the Empire of India came under the direct administration of the Queen in 1858, the import duties consisted of  $3\frac{1}{2}$  per cent. *ad valorem* upon cotton twist and yarns, and 5 per cent. on other articles of British produce and manufacture, including cotton piece goods. The duties were double on foreign articles.

In 1859, on account of the heavy financial pressure after the Mutiny, all differential tariffs were abolished ; duties on all articles of luxury were raised to 20 per cent. *ad valorem* ; duties on other articles, including cotton piece goods, were raised to 10 per cent. ; and those on cotton twist and yarn to 5 per cent.

In 1860, Mr. James Wilson, the first Finance Minister of India, reduced the 20 per cent. duty on luxuries to 10 per cent., and raised the 5 per cent. duty on cotton twist and yarn to 10 per cent. ; so that the import tariff consisted of a uniform rate of 10 per cent. *ad valorem*, with special rates upon beer, wine, spirit and tobacco.

In 1861, the duty on cotton twist and yarn was reduced to 5 per cent.



In 1862, the duty on cotton twist and yarn was further reduced to  $3\frac{1}{2}$  per cent., and the duty on cotton and other manufactures was reduced to 5 per cent.

In 1863, the duty on imported iron was reduced to 1 per cent.

In 1864, the general rate of import duties was reduced from 10 to  $7\frac{1}{2}$  per cent.

In 1867, a great number of articles were added to the free list, export duties were abolished from time to time, the only increase being that the duty on grain was raised in 1867.

In 1871, a new Tariff Act was passed which we have referred to in chapter viii. of this Book. The valuations were revised. The import duty on cotton twist and yarn remained  $3\frac{1}{2}$  per cent., and that on cotton goods 5 per cent. They were maintained, like other import duties, merely as a source of revenue, and did not operate as a protection to the infant cotton industry of India.

But Lancashire manufacturers were jealous of the new cotton mills of Bombay; and in 1874 they made an attack on the moderate import duties on cotton twist and piece goods, representing them as protective duties. The time was well chosen. The first administration of Mr. Gladstone, which had carried out great reforms in Ireland and had established a system of national education in England, had in its last stages become unpopular in the country. The position of the Ministers became so unbearable that they dissolved Parliament in 1874. A general election therefore was at hand, and the Lancashire vote counts for much at an election. The time was opportune, and on January 31, 1874, the Manchester Chamber of Commerce addressed a memorial to the Secretary of State for India.

The Memorialists urged that the duties of  $3\frac{1}{2}$  per cent. on yarns and 5 per cent. on British cotton manufactures imported into India were assessed on tariff

rates fixed many years ago, when values ruled much higher than at present ; so that the duties thus levied actually amounted to 4 per cent. on the actual price of yarn in India, and nearly 6 per cent. on cloth.

That the tax was found to be absolutely prohibitory to the trade in yarn and cloth of the coarse and low-priced sorts.

That the Chamber were informed that it was proposed to import Egyptian and American raw cotton into India (no duty being charged thereon) to manufacture the finer yarns and cloth, and would thus compete with goods received from England on which duty was levied.

That a protected trade in cotton manufacture was thus springing up in British India to the disadvantage both of India and Great Britain.

That the duties increased the cost to the Native population, or at least to the poorest of the people, of their articles of clothing, and thereby interfered with their health, comfort, and general well-being.

And the Memorialists therefore prayed that early consideration might be given to the subject of the duties levied on yarn and cotton piece goods on import into India, with a view to their abolition.

On receipt of a copy of this memorial the Government of India pointed out that the tariff had been carefully revised at the beginning of 1869, when the tariff valuations of cotton yarns and cloths were largely reduced. The Government, however, held out a promise that a committee of revision would again be convened in the following cold season.

This did not satisfy the Manchester Chamber. They reminded the Secretary of State that in their memorial they had only incidentally referred to valuations, and that their main object and prayer was the total and immediate repeal of the duties themselves. And they added :—

"The statements as to the baneful operation of these duties on commerce, and on the best interests of her Majesty's subjects, both in India and in England, are abundantly confirmed by the latest advices from Bombay, which show that, under the protection extended by the levying of duties on imports, to the spinning and weaving of cotton yarns and goods in India, *a large number of new mills are now being projected.*" \*

According to their promise the Government of India formed a Committee in November 1874 with a view to the revision of tariff valuations. Mr. Alonzo Money, C.B., was appointed president, and all the members were English merchants or officials.

The Committee differed in their opinions on some points, but were unanimous in rejecting the Manchester demand for the repeal of import duties on cotton yarn and goods.

Lord Northbrook was then the Viceroy of India, and was a free-trader to the backbone. But he was a strong and just ruler; and would not sacrifice a source of revenue which did not operate as protection. After mature consideration of the Committee's Report, the Viceroy in Council passed a new Tariff Act in 1875.

The new Act abolished all export duties except on indigo, rice, and lac.

Retained the import duties on cotton twist and goods, being of opinion "that a duty of 5 per cent. *ad valorem* upon cotton goods cannot practically operate as a protection to native manufacture." †

Largely reduced valuations.

Imposed a 5 per cent. duty on the import of long staple cotton to prevent Indian mills competing at an advantage in the production of the finer goods.

\* Quoted in India Government Resolution No. 2636, dated August 12, 1875, forming an enclosure to Despatch No. 15 of 1875. The italics are our own.

† Ibid., paragraph 34.

Reduced the general rate of import duties to 5 per cent.

And raised the duties on spirits and wines.

The loss to the Indian revenues by the reduction of valuations in respect of cotton goods was £88,000; while the total loss to the Indian revenues effected by the new Tariff Act of 1875 was £308,000, taking 10 rupees as equivalent to a pound sterling. But, by retaining the import duties on cotton yarns and goods, Lord Northbrook saved the Indian revenues from a further loss of £800,000. Meanwhile, the General Election in Great Britain had returned a majority of Conservatives, and the Liberal Government had resigned in 1874.

Mr. Disraeli had formed a Conservative Government; and Lord Salisbury had succeeded the Duke of Argyll as Secretary of State for India. Lord Salisbury was never a vehement free-trader, but he was vehement in his desire to conciliate Lancashire. In July 1875 he wrote to the Viceroy :—

“If it were true that this duty is the means of excluding English competition, and thereby raising the price of a necessary of life to the vast mass of Indian consumers, it is unnecessary for me to remark that it would be open to economical objections of the gravest kind. I do not attribute to it any such effect; but I cannot be insensible to the political evils which arise from the prevalent belief upon the matter.

“These considerations will, I doubt not, commend to your Excellency’s mind the policy of removing at, as early a period as the state of your finances permits, this subject of dangerous contention.” \*

On August 5, 1875, Lord Northbrook wired to Lord Salisbury that the new Tariff Act had been passed that day. We quote the first portion of the telegram, detailing the changes which we have already mentioned before.

\* Despatch to the Governor-General in Council, dated July 15, 1875; paragraphs 5 and 8.

"Act for revision of customs duties passed this day.

"Export duties abolished, except those on indigo, paddy, rice, and lac, which are unchanged.

"General rate of import duty reduced from  $7\frac{1}{2}$  to 5 per cent. Valuations revised.

"No alteration considered necessary in import duty on cotton goods, but their valuation reduced, which diminishes duty by £88,000.

"Five per cent. import duty imposed on long staple raw cotton.

"Duty on spirits raised from 3 to 4 rupees a gallon, London proof.

"Duty on sparkling wines raised from  $1\frac{1}{2}$  to  $2\frac{1}{2}$  rupees, and on other wines, except claret and Burgundy from 1 to  $1\frac{1}{2}$  rupees a gallon."

And it was pointed out towards the end of the telegram that the net loss to the Indian revenues by this Act was £308,000.

Lord Salisbury was not yet satisfied. He wired back : "Provisions of Act very important. Some objectionable." And he desired to know why the Act was passed without a previous reference to the Secretary of State, according to Legislative Despatch No. 9 of 1874.

An unpleasant correspondence then ensued. Lord Northbrook and his Council explained in August 1875 that the matter was urgent and could not be delayed ; and that a reference to the Secretary of State would have had the effect of disclosing the intentions of the Indian Government, and caused inconvenience to trade.

Lord Salisbury was still dissatisfied. He proposed, in November 1875, to send his Under Secretary, Sir Louis Mallet, to India, to confer with the Indian Government in regard to fiscal legislation ; and he urged the gradual but complete removal of the import duty on cotton goods.

Lord Northbrook and his Council replied in February 1876 that it was undesirable to sacrifice a duty

"which brings in a revenue of more than £800,000 ;" and that there was "no precedent of a measure so seriously affecting the future of Indian finance as the prospective removal of a tax which brings in a revenue of £500,000 per annum, having been directed by the Home Government." "It is our duty," concluded Lord Northbrook and his Council, "to consider the subject with regard to the interests of India ; we do not consider that the removal of the import duties upon cotton manufactures is consistent with those interests ; and we hope that the statement contained in this despatch of the whole circumstances of the case, and of the condition of the Indian finances, will show that the real effect of the duty is not what is supposed, and that it cannot be removed without danger to the Indian finances, and that the imposition of new taxes in its stead would create serious discontent."

And in a further letter, dated March 1876, Lord Northbrook protested against the restrictions imposed by the Secretary of State on the action of the Viceroy of India. "It is our duty to represent to her Majesty's Government that the withdrawal from the Governor-General in Council of the power of prompt action on the most important occasions that can arise, will, in our opinion, seriously weaken the authority and hamper the action of the executive Government of India."

Lord Northbrook, one of the soundest and wisest of Indian Viceroys, differed largely from the new policy of the British Cabinet. He could not carry out the unwise frontier policy urged by the Conservative Government ; and he could not accept the fiscal policy dictated by Lancashire. He resigned his high office, and left India early in 1876.

It would interest our readers to know how far Lord Salisbury had the support of his Council in pressing for the remission of Indian import duties, and proposing to send his Under Secretary to India to carry out this

scheme. This proposal had been made by wire on September 30, 1875.

Sir Erskine Perry, one of the strongest Members of the India Council, objected to this telegram. "The Government of India," he recorded, "is necessarily despotic, and the useful function of the Home Government is, by careful revision of all measures originated there, to prevent the usual concomitants of despotism, such as caprice, hastiness, injustice, from springing up. If the telegraphic wire is to convey peremptory orders during the concoction of measures in India, it will greatly enhance the difficulties of government in that country, and will increase the repugnance of statesmen of mark to accept the office of Governor-General."

Sir Henry Montgomery, who had been a Member of the Council for seventeen years, knew of no previous instance of sending the Under Secretary to confer with the Indian Government on their fiscal policy. It is startling also to learn that he, as a Member of Council, had been allowed no opportunity to see the official correspondence on the contemplated change in the fiscal policy of India. "I had no opportunity," he wrote, "of seeing any of the official or other documents, nor was I aware of the objections which the Secretary of State entertained regarding the financial policy of the Viceroy. . . . Not having seen the official proceedings of the Government of India, not being aware of the objections of the Secretary of State, and not having had an opportunity of conferring with my colleagues, I feel myself still constrained to refuse being a party to a measure which, as far as I understand it, is more likely to provoke than prevent a crisis which would deprive India at this moment of the abilities and experience of Lord Northbrook."

Even General Richard Strachey, who agreed with Lord Salisbury in the principle of abolishing the import duty on cotton goods, wrote : "My reason for objecting

to the draft of the telegram first proposed to the Council was that it virtually committed the Council to opinions on subjects, the papers relating to which had not been brought before them."

Sir Robert Montgomery, Vice-President of the Council, explained that the Council did not desire to express any disapprobation of Lord Northbrook's tariff. And Lord Salisbury, who had been in such haste to conciliate Lancashire that he had forgotten to consult his own Council, recorded the very characteristic explanation: "I was at a distance from London when the above telegram was sent to the Council." "I was not aware that they had not had the opportunity of reading the papers."

When Lord Lytton succeeded Lord Northbrook as Viceroy, the path of Lord Salisbury became smoother. On May 31, 1876, he sent two letters to India. In one of them he insisted on the repeal of the import duty on cotton goods; and in the other he explained the relations of the Indian Government with the Secretary of State. Lord Salisbury had the majority of his Council with respect to both these letters, but Sir Frederick Halliday, Sir Barrow Ellis, and Sir Erskine Perry dissented on the question of the fiscal policy; and Sir Erskine Perry and Sir Robert Montgomery dissented on the letter defining the relations of the Indian Government with the Secretary of State.

It is unnecessary to go into these dissents fully. Sir Frederick Halliday wrote: "The duties should be withdrawn only as far as they are actually protective; and hereafter to such extent, and to such extent only, as they may become protective. I do not see why a valuable and very needful revenue, to which avowedly there is no objection not derived from its protectiveness, should be given up so far and so long as it is shown not to be protective."

And Sir Erskine Perry contended that the initiative



in Indian administration should be left with the Government of India, the revision with the Secretary of State. "If the initiative is to be exercised by the Secretary of State, no careful deliberation can be ensured, for no revision is possible." \*

But the dissenting Members were in the minority ; Lord Salisbury had the majority of the Council with him in demanding the repeal of the import duties on cotton goods ; and Lord Lytton was nothing loth to comply. But a new difficulty had arisen in India. The terrible famine of Madras—the severest and most fatal which had yet occurred within the century—made the Indian authorities pause. The new Finance Minister, Sir John Strachey, spoke on March 15, 1877 :—

"Financial embarrassments arising from the depreciation of silver prevented any practical steps being taken last year in this direction. It was thought unwise to give up any revenue at such a time, and the Secretary of State concurred in this decision. It is with great regret that I have to announce that, for reasons similar to those which prevailed a year ago, it has been decided that nothing can be done at the present moment towards the abolition of these duties ; the financial difficulties caused by the famine are so serious that we cannot sacrifice any source of income." \*

But Lancashire was getting impatient. No political party in Great Britain could afford to neglect the Lancashire vote ; and Mr. Disraeli's Government did not wish to do so. On July 11, 1877, while accounts of the terrible Madras famine were already appearing in British papers, the British House of Commons thought it fit to pass a Resolution calculated to hasten and expedite the repeal of the cotton import duty. The Resolution ran thus :—

"That, in the opinion of this House, the duties now levied upon cotton manufactures imported into India,

\* Sir John Strachey's financial statement of March 15, 1877.

being protective in their nature, are contrary to sound commercial policy, and ought to be repealed without delay, so soon as the financial condition of India will permit."

The last clause of the Resolution has no meaning. The financial condition of India, since the Mutiny, had never permitted the repeal of any source of revenue. Local cesses had been imposed on land, severe and cruel in their operation, to secure surplus; and these should have been repealed before the finances of India repealed any other source of revenue. But this was not how the Resolution was understood, or was meant to be understood.

Lord Salisbury forwarded the Resolution of the House of Commons to the Indian Government, and referred with something like alarm to the fact "that five more mills were about to begin work; and that it was estimated that by the end of March 1877 there would be 1,231,284 spindles employed in India.\*

Accordingly, in the following year, the Government of India made a further sacrifice of revenue by exempting from duty some imports with which Indian manufactures were supposed to compete. "These are unbleached T-cloths under 18 reed, jeans, domestics, sheetings, and drills. . . . The Government of India has determined to commence by exempting these descriptions, with the further condition that the goods so exempted shall not contain finer yarn than what is known as 30 s., that is, yarn of which 30 hanks of 840 yards each weigh 1 lb. The loss of duty, calculated on the figures of 1876-77, cannot exceed £22,227 sterling."†

Even this, however, did not give satisfaction to the Manchester Chamber of Commerce. They pointed out that the list of free goods required to be materially

\* Letter to the Governor-General in Council, dated Aug. 30, 1877.

† Government of India, Financial Statement, dated March 18, 1878; paragraphs 57 and 58.

added to ; that shirtings and longcloths made from 30 s. and coarse yarns still remained subject to impost ; that in the case of yarns the objections to the fixed limits of the free list was even stronger ; and that therefore "it is resolved to urge upon her Majesty's chief Secretary of State for India the desirableness of simplifying those provisions of the new Indian Budget that affect manufactured cotton, by exempting from duty all goods made from yarns not finer than 30 s., and all yarns up to 26 s. water and 42 s. mule.\*

Lord Lytton, the new Viceroy of India, was prepared to submit to all demands unconditionally. But he it said to the honour of the Indian Civil Service that a majority of the members of his Council protested strongly against being thus bullied into submission, and compelled to sacrifice Indian revenues in a year of famine, war, and increasing taxation. And some of the minutes recorded by the dissenting members are among the finest passages in Indian official literature.

Mr. Whitby Stokes objected to the remission, *firstly*, because the financial condition of India was deplorably bad. "We have spent our Famine Insurance Fund, or what was intended to be such. We are carrying on a costly war with Afghanistan. We may any day have to begin one with the King of Burma. We have now to borrow five crores (five millions sterling) in India, and we are begging for two millions sterling from England."

*Secondly*, because the proposed surrender would eventually lead to the surrender of the import duty on all cotton goods. "The powerful Lancashire manufacturers will be encouraged by their second victory to new attacks on our revenue. . . . If ever we have any true surplus, we should, in my opinion, lessen some of our direct taxes rather than abolish any of our moderate import duties."

*Thirdly*, because the proposed repeal would be a

\* Resolution passed at a meeting of the Board of Directors, March 27, 1878.

relinquishment of the contribution which Native States made towards the revenues of British India.

*Fourthly*, because, no one complained against the duties except the manufacturers of Manchester. The people of India did not ask for their repeal.

*Fifthly*, because, by the proposed repeal, "the Manchester manufacturers would practically compel the people of India to buy cotton cloths adulterated, if possible, more shamefully than such goods are at present. The cost of the clothing of the people would thus be increased rather than lessened."

*Sixthly*, because, Indian newspapers will proclaim in every bazaar that the repeal was made "solely in the interest of Manchester, and for the benefit of the Conservative party, who are, it is alleged, anxious to obtain the Lancashire vote at the coming elections. (Of course the people of India will be wrong; they always must be wrong when they impute selfish motives to the ruling race.)"

Mr. Rivers Thomson, afterwards Lieutenant-Governor of Bengal, dwelt on the financial difficulties of India. The estimated Budget for 1879-80 showed a deficit of £1,395,000. The proceeds of the special tax imposed twelve months before to create a Famine Insurance Fund had been misapplied to other purposes. Fresh taxation to meet future famines would excite "the very injurious suspicion that the Government has been wanting in good faith." "It is not such a time that in my judgment any portion of the cotton duties should be repealed; and I deprecate the procedure all the more because in impending circumstances at home, the measure has all the appearance of the subordination of the reasonable claims of the Indian administration to the necessities of English politics." †

\* Minute dated March 13, 1879. The keen satire of the last sentence quoted is not excelled by anything I have ever read in Indian official literature.

† Minute dated March 15, 1879.

Sir Alexander Arbuthnot also dwelt on the financial condition of India ; and he stoutly maintained that the resolution of the House of Commons did not set the Indian Government free from the responsibility of maintaining the solvency of India. "The people of India attribute the action which has been taken by her Majesty's Government in this matter to the influences which have been brought to bear upon it by persons interested in the English cotton trade ; in other words, by the manufacturers of Lancashire. It is notorious that this impression has prevailed throughout India from the time, just four years ago, when the Marquis of Salisbury informed a large body of Manchester manufacturers that the Government of India would be instructed to provide for the gradual abolition of the import duties on cotton goods.

"Nor is this feeling limited to the Native community. From communications which have been received from the Chambers of Commerce at Madras and Calcutta, it is evident that the feeling is shared by the leading representatives of the European mercantile community in those cities.

"It is equally shared by the great body of the official hierarchy throughout India. I am convinced I do not overstate the case when I affirm my belief that there are not at the present time a dozen officials in India who do not regard the policy which has been adopted in this matter as a policy which has been adopted, not in the interests of India, not even in the interests of England, but in the interests or the supposed interests of a political party, the leaders of which deem it necessary at any cost to retain the political support of the cotton manufacturers of Lancashire.

"During the rule of the East India Company, the Court of Directors furnished what often proved an effective barrier between the interests of the people of India and the pressure of powerful classes in England.

In this respect the Council of India, as the Council of the Secretary of State is called, has in no way taken the place of the Court of Directors. . . . The Council of the Governor-General, on the other hand, has large power and heavy responsibilities imposed upon it by law. . . . It will be an evil day for India when the Members of this Council fail to discharge the duty thus appertaining to them."\*

Sir Andrew Clarke was also unable to recognise any justification for a departure from the policy on which the Tariff Act of 1875 was based.†

But all these strong protests were made in vain. The Governor-General of India has the power to act against the opinion of the majority of his Councillors in certain cases ; and Lord Lytton somewhat strained this power to exempt from import duty "all imported cotton goods containing no yarn finer than 30 s." The only Members of his Council who supported him in this undignified surrender were Sir John Strachey and Sir Edwin Johnson.‡

It is needless to add that the Secretary of State approved of the action of Lord Lytton.§ General Richard Strachey supported the Secretary of State, as his brother. Sir John Strachey, had supported the Viceroy. Five other members also approved of the action taken. On the other hand, seven members, including Sir Frederic Halliday, Sir Robert Montgomery, Sir William Muir, and Sir Erskine Perry, dissented from Secretary of State. The import duty on coarse cotton goods had been surrendered by Lord Lytton against the opinion of the majority of his Councillors. The surrender was approved by Lord Salisbury against the opinion of the majority of the members of his Council.

\* Minute, dated March 15, 1879.

† Minute of same date.

‡ Letter to the Secretary of State, dated March 13, 1879.

§ Despatch, dated July 7, 1879.

We have passed beyond the limits of this Book in referring to the events of 1879, which properly falls within the limits of the succeeding Book. We have done so in order to give the reader a connected account of the fiscal controversy which went on from 1874 to 1879. The circumstances under which the import duty was surrendered are a curious comment on the last clause of the Resolution of the House of Commons. That clause desired the repeal of the duty "so soon as the financial condition of India will permit." The duty was actually repealed when Southern India had not yet recovered from the Madras famine of 1877 ; when Northern India was still suffering from the famine of 1878 ; when new cesses on land had recently been added to the Land Revenue ; when the Famine Insurance Fund created by special taxes had disappeared ; when the estimated budget showed a deficit ; and when troubles and a vast expenditure in Afghanistan, brought about in quest of a scientific frontier, were impending.

If the House of Commons exerted an undue pressure on India by passing its Resolution in 1877, the Indian Government was guilty of a weak betrayal of trust in carrying out that Resolution in 1879. It may be safely asserted that no Viceroy who has ever ruled India would have sacrificed the revenues of India at such a moment except Lord Lytton ; and no financier who has ever held the post of Finance Minister in India would have advised and supported such a sacrifice except Sir John Strachey.

This mean sacrifice to party politics did not even secure a party triumph. The Conservatives were defeated at the general election of 1880.

## CHAPTER IX.

### INDIAN FINANCE, 1858 to 1877.

THE system of presenting the annual accounts underwent alterations from time to time, between 1858 when the Queen took over the direct administration of India, and 1877 when she assumed the title of Empress of India.

In the accounts presented to Parliament for 1859-60, the interest on guaranteed railway capital was for the first time shown as a charge on the revenues of the year.

In 1867-68, the policy of constructing large "Productive Works" with borrowed money, and of excluding the capital so borrowed from the ordinary revenue and expenditure accounts, was sanctioned. It was by such exclusion that a surplus was shown in the accounts under Lord Mayo's administration. The capital borrowed was shown under the heading of Debt for Productive Public Works; and the interest on the debt was shown in the ordinary revenue and expenditure account.

In 1870-71 the system of allotting to the different Provincial Governments certain grants of money, with the responsibility of meeting therefrom certain charges, was inaugurated under Lord Mayo's decentralisation scheme. In that year the only financial effect was an advance of £200,000 to provide those Governments with a working balance. But from 1871-72 to 1875-76 certain receipts, estimated at about £650,000, were deducted from the expenditure, and both sides of the account were reduced to that extent; while expenditure to the amount of £500,000 was shown in a lump sum as Allotments for Provincial Services.

From 1871-72 the statement of Nett Income was



abandoned; revenues were shown in the gross, and expenses of collection were included in the expenditure.

From 1876-77 the system of showing the Allotments to Provincial Governments was altered. Instead of one sum being shown as Allotments to Provincial Services, the receipt and expenditure were exhibited in detail under the proper headings. From the same year also, the annual revenue from Productive Public Works, and the annual charge for interest and working expenses in connection with them, were shown.

From 1877-78 a new heading of Provincial Rates was introduced, under which were entered the receipts from the special taxation imposed upon land in 1877. A further change was made in the following year by bringing into the general revenue account all the Local Funds previously accounted for separately, a corresponding charge being entered under various headings on the other side. \*

The figures on the next page, showing the revenues and expenditure of India during the nineteen years, which elapsed from 1858-59 to 1876-77, are taken from the *Statistical Abstracts* for India annually presented to both Houses of Parliament. Under the head of revenue we show the Land Revenue separately; and under the head of expenditure, we exhibit separately the portion of it incurred in England.

It will appear from these figures that the gross revenues of India increased from 36 millions to 51 millions in eighteen years, *i.e.* by the end of 1875-76; and the portion of it spent in England, *i.e.* the Home Charges, increased within the same period from  $7\frac{1}{2}$  millions to 10 millions.

Then followed the eventful year, 1876-77, when there was a decrease of Land Revenue on account of

\* Henry Waterfield's *Memorandum on Changes made in the form of the Accounts* dated April 20, 1860. The official year ended on the 30th April up to 1865. It ended on the 31st March from 1867. Therefore the figures for 1860-67 in the table on the following page are for eleven months only, 1st May 1866 to 31st March 1867.

Year.	Land Revenue.	Gross Revenue.	Expenditure in England.	Gross Expenditure.
	£	£	£	£
1858-59	18,123,658	36,060,788	7,466,136	51,056,930
1859-60	18,757,400	39,705,822	7,239,451	51,861,720
1860-61	18,508,991	42,903,234	7,745,848	48,154,087
1861-62	19,684,668	43,829,472	7,624,476	44,870,232
1862-63	19,570,147	45,143,752	7,252,317	44,053,122
1863-64	20,303,423	44,613,032	6,894,234	44,982,006
1864-65	20,005,061	45,652,897	6,998,770	46,450,990
1865-66	20,473,897	48,935,220	6,211,178	47,332,102
1866-67	19,136,449	42,122,433	7,545,518	44,639,924
(11 months)				
1867-68	19,986,640	48,534,412	8,497,622	50,144,569
1868-69	19,926,171	49,262,691	10,181,747	53,407,334
1869-70	21,088,019	50,901,081	10,591,013	53,382,026
1870-71	20,622,823	51,413,686	10,083,004	51,098,506
1871-72	20,520,337	50,110,215	9,850,912	48,614,512
1872-73	21,348,669	50,210,489	10,547,908	50,638,386
1873-74	21,037,912	49,598,253	10,265,557	54,959,228
1874-75	21,296,793	50,570,171	10,604,994	54,500,545
1875-76	21,503,742	51,310,063	9,898,683	53,911,747
1876-77	19,857,152	55,995,785	13,467,763	58,178,563

the Madras famine. The somewhat sudden increase in the figures, representing the gross revenue and the gross expenditure of that year, is due to the inclusion in the accounts of the receipts and charges for interest in connection with Productive Works, as has been already explained. The whole of the nett railway receipts is shown on the revenue side from that year; and the whole of the Guaranteed Interest and Profits paid to Companies is shown on the expenditure side.

The total Debt of India just before the Mutiny in 1856-57 was 59½ millions, and in the following year it rose to 69½ millions sterling. As the whole charge of the Mutiny wars was thrown on India, the Public Debt rose in 1860 to over a hundred millions. And as the construction of railways was undertaken by the State after the Guarantee System was abandoned, and railway lines were recklessly extended with borrowed capital, the Public Debt rose rapidly from 1870.

It is necessary to explain that the figures for

Year.	Indian Debt and Obligations.	Debt in England.	Total.
	£	£	£
1858-59	66,082,031	15,089,277	81,171,308
1859-60	71,969,460	26,138,000	98,107,460
1860-61	71,901,081	29,976,000	101,877,081
1861-62	72,418,859	35,095,300	107,514,159
1862-63	72,656,135	31,839,100	104,495,235
1863-64	72,207,645	26,310,500	98,518,145
1864-65	72,352,455	26,125,100	98,477,555
1865-66	71,437,251	26,946,400	98,383,651
1866-67	72,526,815	29,538,000	102,064,815
1867-68	71,289,111	30,697,000	101,986,111
1868-69	71,168,289	31,697,900	102,866,189
1869-70	72,989,638	35,196,700	108,186,338
1870-71	81,372,859	37,627,617	119,000,476
1871-72	82,754,841	39,012,617	121,767,458
1872-73	82,484,476	39,012,617	121,497,093
1873-74	81,837,043	41,117,617	122,954,660
1874-75	81,738,564	48,597,033	130,335,597
1875-76	84,759,776	49,797,033	134,556,809
1876-77	83,537,992	55,397,033	138,935,025

1870-71 were revised at the instance of the Select Committee on Indian Finance so as to include some obligations not previously exhibited, and this plan was followed in subsequent years. The total Debt of 139 millions at the close of 1876-77 includes the money borrowed and spent by the Government on State Railways and Irrigation Works, but does not include the money spent by private companies under guarantee of interest from the Indian revenues. Down to 1876-77 the Government had spent about 24 millions on State Railways and Irrigation Works; that is to say, £14,651,353 on State Railways, £9,651,618 on Irrigation Works.

It is also necessary to explain that the figures given above do not include the East India Stock of twelve millions sterling, forming the capital of the East India Company on which India still paid interest.

We have seen in a previous chapter that the East India Company had piled up a Public Debt of 69½

millions during the century of their rule in India. It is painful to observe that the Administration of the Crown *doubled this Debt in nineteen years*, bringing it up to 139 millions—not including the East India Stock.

Let us suppose once again that an independent and impartial tribunal—an International Arbitration Court not composed purely of British or of Indian judges—had to deal with this Indian Debt of 139 millions in the memorable year 1877, when the Queen assumed the title of Empress of India.

There can be little doubt what the verdict of the Court would have been. The arbitrators would have made a clean sweep of the Company's Debt of  $69\frac{1}{2}$  millions, as made up of a part of the unjust demand of an annual tribute which India should not have paid.\* They would probably have given an award to Great Britain for the Mutiny Debt of 40 millions—the cost of British troops employed in India—after deducting from it the cost of Indian troops employed in Imperial wars in Afghanistan, China, Persia, and Abyssinia; and the balance against India, if any, would have been small. And lastly, the arbitrators would have allowed the Public Works Debt of 24 millions to stand—with perhaps an injunction against the borrowing of more capital for such works—as minor railway lines could wait until taken up by private enterprise, and irrigation works could be annually extended from the ordinary revenues of the empire. A hundred millions of the so-called Public Debt of India would thus have been struck off as not justly due from India. And the balance † would soon have been extinguished from the revenues of India, once freed from the payment of interest of this enormous and unjust liability. There would have been no National Debt, for there need be no National Debt in India.

\* See *Economic History of British India, 1757 to 1837*, chapter xxiii.

† We assume there would be balance against India, not reckoning the whole of the tribute paid by India during the century of Company's rule, and not reckoning interest. If this was reckoned, the balance would be largely against Great Britain.

The institution of a National Debt was unknown in India under her old rulers. Hindu and Mahomedan kings sometimes borrowed money from bankers on their own credit, as English kings in the olden days borrowed money by pledging their Crown jewels, or assigning specific revenues for the discharge of the debt. So late as 1688, the year of the English Revolution, England had scarcely any National Debt—the amount was less than a million.\* And it would have been better if British rulers of India had followed the Indian precedent, or the old English precedent of the seventeenth century, instead of importing into India the more recent European institution of a National Debt.

Modern European nations create National Debts mainly to extend their conquests and colonies, and to maintain their position among rival nations. India seeks no conquests; she has no rivals in Asia; her position under a strong and good government is invulnerable. The cost of the British conquest of the country had been defrayed from her annual revenues; the cost of the useful public works could be met from those revenues. There was no need for creating a permanent National Debt in such a country; and there was no need for continuously increasing it when peace had followed the Mutiny wars, and the administration had been assumed by the Crown. Lord Lawrence endeavoured to meet all expenditure from the annual income. Lord Mayo's plan of constructing Public Works with borrowed capital was a mistake. When money is easily borrowed it is easily spent, and the Debt accumulates.

The alarming growth of Debt and expenditure in India attracted the attention of Mr. Gladstone, the greatest British financier of the nineteenth century. He wished to arrest it, and he moved for a Select Committee on Indian Finance in 1871. It would have been well for India if Mr. Gladstone himself could have sat on that

\* 2664,263.

Committee ; but as Prime Minister of Great Britain he could not do so. He did what was possible when he appointed Mr. Henry Fawcett as one of the members. Select Committees sat for four years, from 1871 to 1874, and unfortunately discontinued their inquiries soon after the Liberal Government was upset in 1874. No final recommendations and no great remedial measures therefore ensued. But the evidence recorded during the four years is valuable, and has been referred to in preceding chapters. And it is interesting to turn again and again to this evidence, given by men who conducted the administration and directed the finances of India a generation ago.

One of the most important witnesses examined was the Right Honourable W. N. Massey, who had been Finance Minister of India from 1865 to 1868. And he impressed on the Committee, in the strongest words he could use, the necessity of limiting the expenditure in India to the annual income.

"The principle of English Finance is,—adjust your income to your expenditure. In my opinion the contrary principle should be adopted in Indian finance. The truth is that your resources are so limited, that if you should outrun the constable a little, you are at once landed in a deficit. You cannot expand any of your taxation ; you cannot create new taxation with the exception of the Income Tax. I wish to say that in round terms, for there is no new source of taxation, as far as I am aware, that it is possible for you to invent. Therefore it is that I would most earnestly impress upon all Indian financiers the expediency of accommodating their expenditure to their income." And referring to the Duke of Wellington's reply to the Court of Directors in 1834, *to make the expenditure keep within the income*, the witness said, "I wish the spirit of the Duke of Wellington's reply was made applicable to the present administration throughout the whole of India." \*

\* Report of 1872 ; Questions 8585 and 8612.

Still more emphatic was the evidence of another Finance Minister of India, Sir Charles Trevelyan. He had been the colleague of Lord William Bentinck and Macaulay in Indian administration forty years before ; he had been Governor of Madras and had been recalled from that post for protesting against increase of taxation ; and he had then been Finance Minister of India from 1863 to 1865. A venerable man of sixty-six years, he still spoke with the fire of youth ; and a veteran administrator of India both under the Company and under the Crown, he protested against the increased expenditure of the Crown Government.

"Do you think," he was asked, "that, since the direct administration of affairs by the Secretary of State for India in Council, there has been a greater disposition to give way to demands for expenditure of Indian finances ? "

"Yes, no doubt," he replied. "The Queen's Government has shown itself profuse and squeezable. . . . I refer to the great point which was made in the transfer of the Government, of building up the personal independence of the members of the Indian Council by a life tenure of office, and the arrangement that was made to continue in the Council the exclusive control over payments out of the revenue which had attached to the East Indian Company. But as regards expenditure, it has all gone for nothing. . . . The influences which press upon the Government outside, through the Press and through their influential supporters, have altogether been too strong, and every safeguard has been overborne." \*

"Stout resistances," said Sir Charles on a subsequent day, "which the East India Company opposed to the demands of the Queen's Government in former days, show that a substantial barrier did exist ; and I can answer for those resistances having been, to a great

\* Report of 1873 ; Questions 415 and 416.

extent, effectual. . . . The most striking comparison is that between the administration of Public Works under the Queen and their administration under the Company." \*

Four times had Sir Charles Trevelyan, as Governor of Madras, protested against the increase of expenditure and taxation. In 1859, he had protested against a tax on tobacco ; and "from that time," he said in his evidence, "two conflicting policies prevailed in India ; one, the policy advocated by me of *reduction of expenditure* ; the other, which was the favourite of Calcutta and in England, *increase of taxation*." His second and third protests were also submitted in the same year ; but it was his fourth protest, dated March 20, 1860, which cost him his high post. "Taxes," he wrote, "are a portion of the property of the community taken by the Government to defray necessary public expenditure. The Government therefore has no right to demand additional taxes unless it can be shown that the object cannot be secured by a reduction of unnecessary expenditure. In other words the reduction of expenditure is the primary mode for making good deficiency. . . . If we use the strength which our present advantages give to force obnoxious taxes upon the people, we shall place ourselves in a position towards them which will be totally incompatible with a simultaneous reduction of the native army. We cannot afford to have a discontented people and discontented army upon our hands at the same time." † It was the publication of this Minute, urging obvious but unpalatable truths, which led to Sir Charles Trevelyan's recall. But a man like him could not be spared by the Indian administration ; and three years after his recall, he was sent back to India as Finance Minister.

In urging reduction, Sir Charles did not fail to see the difficulties in its way. Practically all Great Britain

\* Report of 1873 ; Question 965.

† *Ibid.* ; Questions 1281 and 1282.



as well as official India was interested in increased expenditure ; the people of India who were interested in reduction had no voice and no hand in the administration of their own concerns. Trevelyan boldly faced this difficulty, and the most valuable portion of his evidence is that in which he recommended that the people should be consulted before new taxes were imposed.

"I am of opinion," he said, "that as in other countries where the same principle has been carried out, Representation must be commensurate with Taxation. I think there ought to be, first, Provincial Councils, *i.e.* eight quasi-representative Councils, ( I do not say that they should be appointed by popular election at first), at the chief seats of the eight Local Administrations ; then there should be Zilla or County Councils, each district being represented by its notables and confidential men. And lastly there should be Town and Village Municipalities, and the principle of direct election should be introduced within such limits as may be safe and expedient."

"The Natives are by no means deficient in public spirited liberality ; the country is covered with ancient works, tanks, caravansaries, and works of various kinds, which have been constructed by individual munificence ; and the extraordinary liberality of Parsees and others, who have acquired fortunes during the late time of mercantile activity, is well known. If the Councils were merely consultative, the members would never become emancipated from the control of the European official Presidents. The Natives should not always be made to go in leading strings. It is the old story of not allowing a boy to go into the water till he can swim ; he never will learn to swim unless he goes into the water and incurs a little risk and paddles about. At first, no doubt, they will be timid and frugal ; but a little done willingly is better than a great deal done under compulsion, or done for them. Give them the raising and spending of their own money, and the motive will be supplied, and

life and reality will be imparted into the whole system.

All would act under a real personal responsibility under the eye of those who would be familiar with all the details, and would have the strongest possible interest in maintaining a vigilant control over them. And it would be a school of Self-Government for the whole of India—the longest step yet taken towards teaching its 200,000,000 of people to govern themselves, which is the end and object of our connection with that country.” \*

Thirty years have passed since the above evidence was recorded, but even Consultative Provincial Councils have not been created yet to give the people of India some voice in the administration of their finances. Expenditure has not been reduced; taxes have not been lightened; and there is more widespread poverty, with more frequent and severer famines to-day, than thirty years ago.

With regard to the capacity of the people of India, Sir Charles Trevelyan, with his more than forty years' knowledge of India, had no misgivings.

“The Natives,” he said, “have all the qualities to make them good revenue officers. From Todar Mall, Akbar's Minister, who made the first revenue survey of India, and Purnea, who made Mysore so flourishing . . . down to Madhava Rao, and a very remarkable man, although less known to fame, Ramia Ayangar, the Natives are specially qualified for revenue functions. The whole of the appointments to the Customs might be filled by Natives.”

“Then there is the great judicial department; it stands *a fortiori*, that if they are fit to be Judges of the High Court, they are fit for the subordinate appointments.”

“They have shown practical talent [in engineering]; and on the main point of all, that of irrigation, nothing can be better than the ancient irrigation works of

\* Report of 1873: Questions 863 and 866.

Southern India ; in fact, they have been a model to ourselves. Sir Arthur Cotton is merely an imitator, on a grand scale and with considerable personal genius, of the ancient Native Indian engineers." \*

Other great administrators, distinguished by their work in various provinces in India, also felt the necessity of consulting the people in some way or other in the matter of assessments and taxation.

"There seems to me a great necessity," said Sir Bartle Frere, who had been Governor of Bombay, "for having some means of ascertaining directly from the cultivators their views regarding assessments, which used to be ascertained by general communication with them, and for which there has been every year less and less facility, as our officers become more completely occupied and less able to put themselves in intimate communication with the taxpayers. I think that it would be very desirable that, before every revision of assessment after the expiration of the thirty years' leases, there should be some means of directly ascertaining what the cultivator and the cultivating class have to say upon the subject." †

"In India" said Sir Robert Montgomery of Punjab fame, "we set aside the people altogether ; we devise and say that such a thing is a good thing to be done, and we carry it out without asking them very much about it." "I think if each local Governor had a Consultative Native body, which he would select from year to year or from time to time, and before which he would put certain points or questions, whether on taxation or on law, which might affect their welfare generally, he would get a most excellent opinion from them ; and with that opinion, and the opinions of the officers of the Local Government, he would be able to arrive at the right decision." ‡

\* Report of 1879 ; Questions 851 and 1547.

† Report of 1871 ; Question 454.

‡ *Ibid.* ; Questions 1774 and 1831.

Robert Elliot, who spoke with an intimate knowledge of the people of Madras and Mysore, regretted that there was no channel of communication between the Government and the people, and suggested the formation of Councils of the people. "I would first of all accustom the people to the idea that the Government had something to communicate to them, and they to the Government, and you might develop that system gradually towards Representative Institutions."\*

"If there were a Local Council of the composition that you describe," Sir Charles Trevelyan was asked, "such taxes as were passed by the Bombay Legislature, viz., a tax on the non-agricultural rural population, or such a tax as the one on feasts or on marriages, would not be passed by any freely chosen representative body?"

"They certainly would not have been passed," replied Sir Charles Trevelyan; "and that is a striking example of calling the Natives to our councils."

"And very possibly, if the Government should recommend them an unobjectionable tax in itself, they may say, 'We will not burden the people of this province; this sum of money must be provided for by a reduction of expenditure in some other item;' you would not interfere with their decision in the matter?"

"No."

"You would give them independence, subject to veto on any measure they may pass?"

"Yes; it would be their own affair?" †

A paper was handed in by Mr. Gay to the Finance Committee ‡ comparing the taxation of 1856—57, the year before the Mutiny, and 1870—71, the twelfth year of the Crown Administration. The limits of the empire had not been extended within this period; the resources of the people and their industries and manufactures had not increased; the taxable wealth of the

\* Report of 1872; Question 3454.

† Report of 1873; Questions 1444 to 1446.

‡ Report of 1872, page 518.

country and the material condition of the people had not improved ; and yet there was increase in taxation, specially in salt and in assessed taxes, which is starting. We note some of the items below :—

Heads of Revenue.				1856-57	1870-71.
				£	£
Land Revenue	...	...	...	20,046,748	24,170,151
Assessed Taxes	...	...	...	108,833	2,072,025
Customs	...	...	...	1,191,985	2,610,789
Salt	...	...	...	3,610,223	6,106,280
Opium	...	...	...	4,988,434	8,045,459
Other Heads of Revenue	...	...	...	1,974,687	6,371,521
Total	...	...	...	£31,920,910	£49,376,225

Twelve years of Crown Government had increased the taxation by more than 50 per cent. "During the last twelve years," wrote the Bombay Association in their petition to the House of Commons, dated March 29, 1871, "the salt tax has been raised 100 per cent. in Madras, 81 per cent. in Bombay, and 50 per cent. in other parts of India ; the duty on sugar has been enhanced 100 per cent. ; the Abkari or excise on spirits 100 per cent. ; the stamp has been repeatedly revised and enhanced, and is now so complicated, vexatious, and excessive, as frequently to lead to a denial of justice ; customs duties have been increased several times ; heavy court fees and a succession tax of 2 per cent. have been recently imposed ; a local land cess of 6½ per cent., village service cess at the same high rate, rural town cess, taxes on trades and callings, house-tax, tolls ; and a considerable variety of municipal and local rates and taxes, amounting in the aggregate to an extremely large and oppressive sum, have been levied in different parts of the country. It is now proposed to impose fresh Local Taxes to supply the deficiency caused by the conduct of the Government of India in curtailing the grant of several Provincial

Services. Your Petitioners submit that over-taxation has, for many years of British Rule, been the bane of India; and that strenuous endeavours have not been made by the authorities to reduce the public expenditure, which has been increased from year to year, until the augmentation now amounts to the vast sum of 19 millions over and above the expenditure of 1856-57." \*

And Mr. Dadabhai Naoroji, the patriotic Indian representative who appeared as a witness before the Finance Committee, placed before the Committee with equal force and cogency the fact of the extreme poverty of the people of India, their decadence in wealth and resources under British Rule, and the heavy and growing taxation of the country.

"I may put this great financial fact before the Committee," he said. "The United Kingdom out of its resources (I use Lord Mayo's word) obtains 70 millions, from which about 27 millions being deducted for interest on Public Debt, there remains about 43 millions for the ordinary wants of the Government. This amount is about  $5\frac{1}{2}$  per cent. of the income of the country of 800 millions. The British [Indian] Government out of its resources obtains 50 millions, from which about 8 millions being deducted for interest on Public Debt, Railways, &c., there remain 42 millions for its ordinary wants; this makes 14 per cent. of the income of the country of 300 millions. So that the Indian Government is two and a half times more expensive than the Government of the United Kingdom."†

It is painful to note that these protests from the people of India led to no reduction in expenditure and in taxation. On the contrary, Lord Mayo's Decentralisation Scheme, which will be specially referred to in the succeeding chapter, led to the imposition of various new taxes by the Provincial Governments. And every proposal made by Sir Charles Trevelyan and

\* Report of 1871, page 512.

† Report of 1873; Question 6727.

other able administrators, to allow the people some voice in limiting taxation and reducing expenditure, was disregarded.

For the cry from England was for fresh lines of railways and fresh expenditure in India ; and official India was bent on increased expenditure, rather than reduction. And as if the requirements of India were not more than enough for the resources of that country, other burdens like the cost of the Chinese War and of the Abyssinian War, the cost of telegraph lines and military charges properly payable from English estimates, were again and again thrown on India. \*

For there was no body of men in the Constitution of the Indian Government who could effectually resist such unfairness, in the manner in which the Directors of the East India Company had endeavoured to resist it before 1858. The Secretary of State was a Member of the British Cabinet, and could not resist the joint wishes of the Cabinet ; the Members of his Council, not representing the people of India, failed to resist British influences and British demands ; and the Viceroy of India and his Council, unsupported by Indian representatives, had to carry out the mandates which came from England. How entirely the interests of India were sacrificed, whenever there was sufficient pressure put on the India Council, will appear from the statements of Lord Salisbury himself, who was once more Secretary of State for India in 1874, when he gave his evidence before the Finance Committee.

*Henry Fawcett.*—Then it comes to this simply—without saying whether any one is justified or not in doing it—that throughout the existence of an administration, the Secretary of State for India is aware that India is being unjustly charged ; that he protests and protests, again and again ; that the thing goes on, and

\* See the evidence of Samuel Laing, formerly Finance Minister of India, Report of 1872 ; Questions 7518, 7519, 7676, 7677, &c.

apparently no remedy can be obtained for India unless the Secretary of State is prepared to take up this line and say—"I will not submit to it any longer ; I will resign" ?

*Lord Salisbury.*—It is hardly so strong as that, because the Secretary of State, if his Council goes with him, can always pass a resolution that such and such a payment is not to be made ; but, of course, *any Minister shrinks from such a course, because it stops the machine.*

*Henry Fawcett.*—You have these alternatives ; you must either stop the machine, or you must resign, or you must go on tacitly submitting to what you consider to be an injustice ?

*Lord Salisbury.*—Well, I should accept that statement barring the word "tacitly." I should go on submitting with loud remonstrances.\*

These extracts disclose the real weakness in the machinery of the Indian Government. There is no effective resistance to financial injustice towards India ; no possible opposition to increasing taxation and expenditure. The system of taxation without any form of representation has failed in India as in every other civilised country. And future statesmen will be forced, before long to introduce some form of representation in the financial administration of India, to save the country from calamities which no longer threaten, but have actually overtaken the Indian Empire.

\* Report of 1874 ; Questions 2234 and 2235.



## CHAPTER X.

### TRADE AND MANUFACTURES, 1878 TO 1900.

ALL the old industries, for which India had been noted from ancient times, had declined under the jealous commercial policy of the East India Company ; and when Queen Victoria ascended the throne in 1837 agriculture was left the only national industry of the people. Little was done to foster new industries after the Crown assumed the administration of India in 1858 ; and the last decades of the century still found the Indian manufacturer and artisan in a state of poverty and decline. A few experiments were made from time to time, but not on an adequate scale, and not in a manner commensurate with the vast interests at stake.

*Cotton.*—Spinning and weaving were the national industries of India down to the commencement of the nineteenth century. The spinning-wheel and the handloom were universally in use ; and it is scarcely an exaggeration to state that nearly half the adult female population of India eked out the incomes of their husbands and their fathers by the profits of their own labour. It was an industry peculiarly suited to Indian village life. There were no great mills and factories ; but each woman brought her cotton from the village market, and sold her yarn to the village weaver, who supplied merchants and traders with cloth. Vast quantities of piece goods, thus manufactured, were exported by the Arabs, the Dutch, and the Portuguese ; and European nations competed with each other for this lucrative trade with India. But when the East India Company acquired territories in India, they reversed this policy. Not content with the

carrying trade between India and Europe, British manufacturers sought to repress Indian industries in order to give an impetus to British manufactures. Their great idea was to reduce India to a country of raw-produce, and to make her subservient to the manufacturing industries of Great Britain. How this policy was pursued, and how it ultimately succeeded, has been narrated in another work.\*

Later on, when power-looms had entirely supplanted hand-looms in Europe, Indian capitalists began to start cotton mills in their own country. This, again, aroused the jealousy of Lancashire manufacturers; and the fiscal policy pursued by the Indian Government in 1874 to 1879 has been told in a previous chapter. And the sad story will be continued to the close of the century in the succeeding chapter.

But hand-looms still survive in India to some extent, in spite of power-looms. The reasons are not far to seek. India is pre-eminently a country of small industries and small cultivation. Land in England belongs to great landlords; the agriculturists are mere farmers and labourers. But land in India belongs primarily to small cultivators who have their hereditary rights in their holdings; the landlord, where he exists, cannot eject them so long as they pay their rents. In the same manner, the various industries of the country were carried on by humble artisans in their own villages and huts; the idea of large factories, owned by capitalists and worked by paid operatives, was foreign to the Indian mind. And despite the great results which are achieved by capital, it is nevertheless true that the individual man is at his best,—in dignity and intelligence, in foresight and independence,—when he works in his own fields or at his own loom, rather than when he is a paid labourer under a big landlord or a wage-earner in a huge factory. And every true Indian hopes that

\* *Economic History of British India, 1757 to 1837.*

the small cultivation of India will not be replaced by landlordism, and that something of the home industries will survive the assaults of capitalism.

Endeavours have been made to help the handloom weavers who still carry on their hereditary profession. Their methods are susceptible of improvement, and their output could be largely increased by the use of improved looms. Experiments are being made in different places, and specially in Madras. It is too early yet to say what the result will be ; but it is confidently believed that, with necessary improvements, hand-loom will be found to answer, at least for certain descriptions of goods. Such a result would help millions of poor weavers, Hindu and Mahomedan, who have sunk to the lowest depths of poverty, and are the earliest victims of famines. And a civilised Government has no more sacred duty than to help these submerged classes, and revive one of the most ancient industries of India.

*Silk.*—Silk manufactures have declined from the days of the East India Company, and their export is insignificant. *Tussur* silk is grown in most parts of India, and quantities of fabrics are produced both for home use and for export. In Assam, silk still continues to be the national dress of women, and the industry is entirely a home one, each family weaving *Sarees* for its own use. Finer silks, produced by the mulberry-feeding worms, are obtained in Bengal districts, and some improvement has been effected by the adoption of scientific methods of testing the "seed" and rearing the worms. In the Punjab, however, the endeavour to reintroduce the cultivation of silkworms has ended in failure. In Kashmir, the industry is indigenous, and the State is endeavouring to develop it by the importation of sound "seed" from Europe. "The silk-weavers of India possess the very highest silk in their craft, and it is probable that under competent and energetic direction with the assist-

ance of capital, the industry could be received and extended." \*

*Wool.*—The manufacture of coarse blankets, used by the poor, is carried on in many parts of India. The Shawl industry of Kashmir is practically extinct, so far as elaborate and artistic products are concerned ; and such shawls are produced in only very small quantities, generally to order. The Punjab is still, however, the seat of a considerable woollen manufacture, and specially of woollen carpets. And the carpet industry of Madras is also important.

Woollen mills, conducted mainly by European capital and under European management, nearly doubled their production within the last decade of the century ; and there were 594 looms and 22,986 spindles in 1901. The output of the mills is chiefly used for the army and the police.

*Jute.*—Bengal has virtually a monopoly of the cultivation of jute, the average yield of the crop being about twenty million cwt. One half of this produce is exported to Europe, while the other half is used either for the making of home-spun cloths or bags, or in the jute mills. There were 35 mills, 8218 looms, and 171,148 spindles in 1901, and the number of looms and spindles nearly doubled in the succeeding year.

*Hands Employed.*—But altogether mill industry in India is still in its infant stage, and the number of people who find employment in these industries is insignificant. In the year 1901 the cotton mills of India employed 173,708 hands ; the jute mills employed 64,700 hands ; and apart from indigenous home industries there was no other manufacturing industry which employed as many as 20,000 hands.

In the preparation of agricultural staples for the market, indigo factories employed 173,000 workers ; jute presses, 20,000 ; cotton ginning, cleaning and press-

\* *Moral and Material Progress and Condition of India, 1901-2, p. 227.*

ing mills about 52,000 ; timber mills, 8000 ; coffee works, 5000 ; and oil mills, 4000.

Iron and brass foundries employed 18,000 persons ; tile factories, 10,000 ; printing presses, 13,000 ; lac factories, 5000 ; silk filatures and silk mills, 14,000 ; and paper mills about 5000. The numbers employed in woollen mills increased only 16 per cent. in the ten years ending in 1901,

*Paper.*—There were nine mills in 1901, and the amount of paper produced was 47 million pounds. The Government of India obtains from these mills most of its foolscap, blotting-paper, and note-paper, but imports about £ 15,000 worth of paper from Europe.

*Brass and Copper.*—The household vessels of the Hindus are generally made of brass, though Mahomedans often use copper. The brass industry is about the only indigenous industry which is still safe from foreign competition, though large quantities of enamelled iron ware, imported from Europe, are coming into use in Hindu households. It is satisfactory to learn from an official historian of Indian industries that "the continuance of the internal demand for brass and copper ware is assured ; and the skill of the artificers is so great that, with proper direction and energetic development, a large expansion of exports to Europe is possible."\*

*Wood Carving.*—Apart from the work of the carpenter who exists in every Indian village and town, there is a large trade with Europe in small articles as toys, boxes, and the like, carved with artistic skill. Inlaying is also a notable art in India.

*Tea.*—The area under tea, of which nine-tenths lies in Assam and Northern Bengal, expanded 45 per cent. within the ten years ending in 1901. There was indeed over-production, and it has latterly become necessary to restrict the area under cultivation, and to reduce the quantity of leaf taken from the plant. The total yield

\* *Moral and Material Progress and Condition of India, 1901-2, p. 227.*

of the crop in 1900 was over 197½ million lbs., while that in 1901 was 191¼ million lbs. The export by sea from British India in the year 1901—2 is shown in the following figures :—

Country to which Tea is Exported.	Quantity in million lbs.
United Kingdom ... ..	159
Australia ... ..	8½
Persia ... ..	2½
Asiatic Turkey ... ..	2½
Russia ... ..	1½
China ... ..	1½
United States ... ..	1
Canada ... ..	1
Other countries ... ..	2
Total ... ..	179½ million lbs.

It will thus be seen that the world, outside the British Empire, does not favour Indian tea.

The "slave law" of India, by which labourers, imported to Assam, are bound by penal clauses to serve out their term of contract, continues to mark the tea industry of that Province with an indelible stain. Much oppression and many acts of cruelty are reported from time to time ; but the Government of India does not care to brave the wrath of capitalists by withdrawing these penal clauses, and leaving the labour market free as in other industries. The condition of the labourers in the gardens is often wretched ; and an endeavour made by Sir Henry Cotton, late Chief Commissioner of Assam, to raise the wages by one rupee a month, evoked the opposition of tea-planters, and did not receive adequate support from Lord Curzon. A compromise was effected ; the proposed increase was reduced to half a rupee ; and it was to come into operation after two years. The planters, on the other hand, suggested the imposition of a cess on the exported tea, the proceeds of which were to be used to promote

the sale. The Government of India descended from its dignity by accepting this proposal, and thus constituting itself agents of tea-planters for the sale of tea.

The number of persons employed in tea industry in 1901 was 606,835 permanently, and 90,946 temporarily.

*Indigo.*—The competition of artificial indigo threatens this industry with extinction. This will necessarily be an economic loss to India ; but there has been so much of oppression and coercion by indigo planters in connection with the growth and production of indigo, that the people of India view its extinction with perfect indifference, and even with satisfaction. The value of the indigo exported in 1895—6 was £3,569,700 ; in 1891—2 it fell to £1,234,800.

The number of indigo factories in 1901 was given as 898, besides some 3000 vats in Madras. The number of persons employed was given as 173,000, but this is not a complete record.

*Sugar.*—The large imports of bounty-fed beet sugar from Germany and Austria induced the Indian Government to impose a countervailing duty in 1899,—mainly in the interests of cane sugar from Mauritius and other British possessions. This checked the bounty-fed sugar for a time, but only for a time, as the following figures will show :—

Imports.	1897-98.	1898-99	1899-1900	1900-1.	1901-2.
Beet sugar from Ger- many and Austria ...	2,206,064	1,526,291	872,515	1,792,590	2,936,196
Cane sugar from Mau- ritius, &c.	2,029,330	2,238,619	2,063,477	3,049,046	2,491,907

It will appear from these figures that in the last year, 1901—2, imported beet sugar once more exceeded the cane sugar from Mauritius and other places. This was owing to developments in the Continental sugar-

trade, and the rise of the "cartel" system. It was decided, therefore, to enact a further law to countervail the "cartel" bounty. Its effects have still to be seen.

*Opium and Salt.*—The Government continued to retain its monopoly over these articles. The revenue derived from opium declined within the last ten years of the century, while the salt revenue showed rather an increase.

Nett Revenue in Rupees.*		
Year.	Opium.	Salt.
1890-1 ... ..	56,983,850	80,943,550
1891-2 ... ..	61,505,670	81,771,480
1892-3 ... ..	63,906,840	81,973,970
1893-4 ... ..	47,509,640	87,544,710
1894-5 ... ..	57,076,520	81,673,340
1895-6 ... ..	50,549,810	83,408,010
1896-7 ... ..	39,225,460	78,983,530
1897-8 ... ..	27,906,550	81,204,780
1898-9 ... ..	33,520,400	86,341,690
1899-1900 ... ..	40,122,420	82,780,605

It has been stated in a previous chapter that the salt revenue is derived firstly from a duty imposed on the manufacture of salt in British India, and secondly, from a duty imposed on the salt imported from Europe or from the Native States of India. The task of levying a duty on salt imported by sea was easy enough. But in order to realise the duty on salt imported from the Native States, it was necessary to maintain an Inland Customs Line. In 1870 this Indian Customs Line extended itself across the whole of British India, from a point in the north-west of the Punjab to the northern frontiers of Madras. It was a huge material barrier, 2500 miles long, consisting of thorny trees and bushes, stone

\* The nett revenues are found by deducting all expenditure connected with the revenues from the gross revenues. Fifteen rupees may be roughly taken as  $\frac{1}{2}$ l.



walls and ditches ; and it was guarded by an army of 12,000 officers.

The first steps towards abolishing this system were taken by the Government of Lord Mayo. Mr. A. O. Hume negotiated an amicable arrangement with the Native States of Jaipur and Jodhpur, under which the sole right of manufacturing salt at the Sambar Salt Lake was made over to the Indian Government. The Government of Lord Northbrook then entered into an arrangement with Jodhpur, by which all important salt sources of that State were transferred to British management. The Government of Lord Lytton took further measures to abolish the Inland Customs Line firstly, by making the duties approximately equal in the different parts of India, and secondly, by agreements with Native States in Rajputana and Central India, under which the British Government obtained leases and control of all the important sources of salt manufacture. The work was finally completed by the Government of Lord Ripon, which equalised the salt duty throughout India at the reduced rate of 2 rupees the maund, *i.e.* 2s. 8d. on 82 lbs. Unfortunately the salt duty was again raised to 2½ rupees the maund in 1888, and it remained at that high figure for fifteen years. In March 1903 it was reduced once more to 2 rupees.

*Coal.*—Coal is found over a very extensive area in India, and mines are worked in different parts of the country, mostly with European capital. The rapid increase in the industry, and in the annual output in recent years, is shown by the figures on the next page.

"These figures," writes the official chronicler whom we have quoted before, "look very small if compared with the 219 millions of tons produced in the United Kingdom in 1901 ; but the amount is sufficient to meet the present Indian demand for coal." \* The Indian railways use Indian coal almost exclusively ; and less

\* *Moral and Material Progress, &c., 1901-2, p. 235.*

Province.	Output in Towns.	
	1892.	1901.
Bengal ... ..	1,920,050	5,703,876
Assam ... ..	164,050	253,162
Burma ... ..	3,670	12,466
Rajputana ... ..	nil.	12,094
Central India... ..	88,623	164,415
Punjab ... ..	66,352	67,730
Beluchistan ... ..	13,284	22,772
Central Provinces ... ..	132,005	191,516
Nizam's Territory ... ..	149,601	421,218
Madras ... ..	61	nil.
Total ... ..	2,537,696	6,849,249

than 1 per cent. of the coal they used in 1902 was drawn from abroad. Iron and steel industries are largely helped by the Indian coal, and mills all over the country depend upon it. Coal is also largely used in towns as fuel for domestic purposes. The coal mines and quarries under the Mines Act, *i.e.* those which are not less than 20 feet in depth, gave employment to 85,361 persons in 1901.

*Gold.*—The production of gold in India is practically confined to Mysore, which produced 529,782 ounces in 1901; and this represents 99 per cent. of the Indian yield for the year. The labour employed amounts to 21,000 hands. A very small amount of gold is obtained by sand-washing in Northern India and Burma. The Wynaad fields of Madras have proved a failure; and the amount produced in the Nizam's territory is small.

*Iron.*—The principal sources of ironstone are the Salem ores in Madras, the Chanda ores in the Central Provinces, and the Barakar ores in Bengal. Inquiries made by private and public agency have established both the quantity and quality of the Salem ore; but no large industry has yet commenced. The Barakar Works were started in 1865. After the failure of two companies, the Government ran the business at a loss, and

then handed it over to the present company. Things are looking up ; the production of pig iron has increased, and a steel plant has been set up. Negotiations are in progress for the development of the Chanda ore. The production of iron in India was 63,000 tons in 1901, of which 57,000 were produced in Bengal.

*Petroleum.*—Burma supplies 98 per cent. of the mineral oil produced in India, and the remainder is almost all obtained from Assam. The total production was only 5000 gallons in 1892, while in 1901 it had risen to 633,000 gallons. There is, however, a large demand for foreign oil in India ; and the Russian product has displaced the dearer American product in the Indian market. Ninety-nine millions of gallons, valued at 2½ millions sterling, were imported in 1901-2, showing that the Burma produce does not supply even a hundredth part of the total Indian demand.

*Rubies.*—The far-famed ruby mines of Burma have as yet yielded little profits. In 1901 the Ruby Mines Company produced gems, rubies, sapphires, and spinels of the total value of £104,500. Jade to the value of £29,000 was exported in 1901-2.

*Manganese, Mica, and Tin.*—Manganese to the value of £100,000 and mica to the value of £70,000 were exported in 1901-2. Tin is found in Tavoy and Mergui in Lower Burma, and also in the Shan States in Upper Burma.

A vast deal of attention is naturally directed to the mill industries of India, to tea, indigo, and coffee, and to mining industries, as European capital is largely employed in India in these forms. From the figures given above, it will, however, be seen that the number of labourers employed in these industries bears no appreciable proportion to the population of India. The problem of improving their condition finds no solution in the encouragement given to British companies in India, or in a system of emigration. Where is the

country on earth which could receive, in the next ten years or twenty years, even a tenth of the Indian population of three hundred millions? The real solution of the Indian economic problem lies in relieving agriculture from excessive and uncertain taxation : in fostering those indigenous industries in which millions of Indian artisans find employment in their villages ; and in helping those nascent manufactures which the people are starting with their own capital in towns. The people of India welcome the employment of British capital for the development of the mineral resources and the new industries of India. But British statesmen view things through a false perspective when the interests of British capitalists in India loom larger in their eyes than the interests of agriculture, and of those humbler industries on which the Indian nation, as a nation, depends for its existence.

We now turn to the subject of India's external trade ; and the following table, compiled from *statistical Abstracts relating to British India*, shows the total imports and exports of India during the last twenty-four years of the century.

The difference between the total imports and the total exports is the distressing anomaly of the Indian commerce. The difference mounted up to about thirty millions of tens of Rupees, equivalent to twenty millions sterling, between 1891-2 and 1896-7. It represents the annual Economic Drain from India, the amount she paid from her food supply and for which she received no commercial equivalent. Famines during the closing years of the century, and the price which England paid for using the Indian army in South Africa, reduced this Economic Drain to some extent ; but even during the last four years of the century the average annual Economic Drain from India was about twenty million tens of Rupees, equivalent to thirteen millions sterling.

*Trade of India with all Countries in Tens of Rupees.*

Year ending in	Import of Merchandise.	Import of Treasure.	Total Imports.	Total Exports.
	Tens of Rs.	Tens of Rs.	Tens of Rs.	Tens of Rs.
1878	41,464,185	17,355,459	58,819,644	67,433,324
1879	37,800,594	7,056,749	44,857,343	64,919,741
1880	41,166,003	11,655,395	52,821,398	69,247,511
1881	53,116,770	8,988,214	62,104,984	76,021,043
1882	49,113,374	11,322,781	60,436,155	83,068,198
1883	52,095,711	13,453,157	65,548,868	84,527,182
1884	55,279,348	12,877,963	68,157,311	89,186,397
1885	55,703,072	13,888,197	69,591,269	85,225,922
1886	55,655,909	15,477,801	71,133,710	84,989,502
1887	61,777,351	11,053,319	72,830,670	90,190,633
1888	65,004,612	13,825,856	78,830,463	92,148,279
1889	69,440,467	13,844,960	83,285,427	98,833,879
1890	69,197,489	17,459,501	86,656,990	105,366,720
1891	71,975,370	21,934,486	93,909,856	102,350,526
1892	69,432,383	14,722,662	84,155,045	111,460,278
1893	66,265,277	17,009,810	83,275,087	113,554,399
1894	77,021,432	18,461,256	95,482,688	110,613,561
1895	73,528,993	9,581,207	83,110,200	117,139,850
1896	72,936,753	13,367,986	86,304,739	118,594,549
1897	76,117,373	13,084,563	89,201,936	118,021,592
1898	73,647,035	20,530,617	94,177,652	104,781,428
1899	72,101,528	17,895,613	89,997,141	120,211,146
1900	75,304,480	20,973,686	96,278,166	117,039,710
1901	80,894,589	24,576,762	105,471,352	121,945,960

The character of India's trade with the world will appear more clearly by an examination of her principal imports and exports. The table on the next page shows the principal imports.

In examining this table it is necessary to remember the varying value of ten rupees between 1885 and 1897. Ten rupees represented about sixteen shillings before 1885, and it only represented less than twelve shillings in 1895 and 1896. The large increase in the import of cotton manufactures between 1885 and 1897, as shown in tens of rupees, does not therefore represent a proportion-

\* Ten rupees represented about 16 shillings between 1878 and 1885,  
 " " about 14 shillings between 1885 and 1890,  
 " " about 12 shillings between 1890 and 1897,  
 " " and 13½ shilling since 1898.

*Imports into India from all Countries, in Tens of Rupees.*

Year ending in.	Cotton Twist and Yarn.	Cotton Manufactures	Hardware, Cutlery, and Plated Ware.	Machinery and Millwork.	Refined Sugar.	Silk Manufactures.	Wool Manufactures.
	Tens of Rs	Tens of Rs	Tens of Rs	Tens of Rs	Tens of Rs	Tens of Rs	Tens of Rs
1878	2,850,433	17,322,313	448,228	850,997	798,036	804,883	782,781
1879	2,779,772	14,126,784	425,453	863,455	1,481,881	924,044	878,042
1880	2,745,306	16,915,511	431,928	616,833	1,068,788	837,890	927,876
1881	3,699,177	22,910,717	352,556	769,844	1,611,157	1,397,197	1,299,130
1882	3,222,065	20,772,099	626,613	1,221,045	1,243,756	1,267,620	1,121,232
1883	3,378,190	21,431,872	791,791	1,342,398	1,086,901	1,038,180	984,873
1884	3,495,943	21,642,388	813,887	1,788,868	1,148,370	1,263,894	1,217,053
1885	3,360,420	21,197,414	844,552	1,484,124	2,140,838	1,273,354	1,234,340
1886	3,172,083	21,110,545	776,542	991,553	1,458,097	1,109,043	1,391,861
1887	3,318,377	25,846,508	865,397	1,371,459	2,080,540	1,383,735	1,528,865
1888	3,581,900	23,92,4467	1,091,939	1,800,218	2,113,617	1,743,818	1,715,755
1889	3,746,797	27,764,508	1,102,205	2,316,871	1,790,939	1,682,166	1,561,950
1890	3,482,529	26,391,399	1,096,191	2,435,385	2,200,049	1,778,114	1,455,235
1891	3,768,362	27,241,987	1,197,614	2,063,863	3,399,886	1,386,362	1,818,213
1892	3,514,620	25,174,852	1,238,994	2,111,597	2,561,996	1,751,695	1,762,031
1893	2,683,850	22,942,015	1,217,754	2,359,103	2,625,683	1,801,571	1,523,243
1894	3,108,941	29,268,528	1,380,473	2,518,038	2,824,190	1,827,874	1,892,042
1895	2,851,254	29,822,374	1,332,556	2,442,433	2,875,297	1,277,420	1,541,639
1896	2,971,090	22,784,782	1,483,475	3,237,401	3,106,813	1,704,320	1,445,517
1897	3,325,871	26,424,304	1,557,742	3,510,190	3,151,829	1,366,669	1,692,535
1898	3,491,038	22,991,970	1,477,811	2,861,108	4,784,479	1,149,260	1,148,427
1899	2,551,634	24,678,086	1,430,123	3,055,931	4,016,999	1,361,794	1,523,731
1900	2,450,011	27,002,113	1,590,292	2,541,903	3,376,629	1,129,831	1,758,001
1901	2,489,215	27,316,128	1,841,473	2,257,558	5,055,211	1,665,810	2,112,576

ate real increase. On the other hand the value of ten rupees has been fixed at 13s. 4d. since 1898 ; and the increase in cotton imports, and the decrease in machinery and mill works, since that year, are real. They show the baneful effects of the excise imposed on the mill manufactures of India, which will be fully described in the next chapter.

When every civilised Government on earth is endeavouring to help home manufactures, the Indian Government has cruelly repressed the infant mill industry of India under the mandate of Lancashire, even in respect of coarse cotton fabrics with which Lancashire does not compete. The results broadly stated are—a decline in cotton manufactures, a decrease in the demand for machinery and mill-work, and an increase in the import of cotton manufactures from 23 millions to over 27 millions of tens of rupees within three years.

Silk manufacture continues to decline in India in spite of the experiments which have been referred to before ; and the import of manufactured silk increased from a million to  $1\frac{1}{2}$  million tens of rupees between 1898 and 1901. The import of woollen manufactures nearly doubled within that period.

Reference has been made to the legislation undertaken to repress the import of bounty-fed sugar into India. Its success is seen in the decline of sugar imports in 1898-99 and 1899-1900. But it has failed in the long run, and the import of 1900-1901 exceeded the import of any previous year in the history of India.

The import of hardware, cutlery, and plated-ware shows a steady increase. But India imports raw metals in larger quantities. In 1900-1901 she imported iron and steel to the value of over three millions sterling, and brass to the value of over six hundred thousands sterling. \* The only other large item of import, exceeding two millions sterling in value in

\* Iron and steel, £3,048,421 ; brass, £611,422.

1900-1901 is mineral oil, mostly from Russia. The import of liquors exceeds a million.\*

We now turn to India's exports, and the following table shows the principal articles.

In examining the figures of this table it is necessary to bear in mind once more the varying value of the rupee. The apparent increase in the export of cotton and cotton goods, in grains, seeds, and other articles in the early 'nineties, is largely owing to the fall in the value of the rupee. We are on more safe ground from 1898 when the value of 10 rupees was raised to 13s. 4d. and ultimately fixed at that sum; and the increase in exports shown in the last four years of the table is real.

Cotton manufactures show only a slight increase. The unjust excise tax imposed on the rising mill industry of India retarded the natural progress of the cotton manufactures. Raw jute shows a steady increase from seven to nearly eleven millions of tens of rupees during the last three years of the century. The export of jute manufactures also increased from 5½ millions to 7½ millions of tens of rupees.

The export of indigo has steadily decreased owing to the invention of artificial indigo in Europe; while the export of tea has steadily increased to nearly 10 million tens of rupees, or 6½ millions sterling.

Silk and wool are minor items, and have not been shown in the following table. The export of raw silk was only £354,102, and of manufactured silk only £119,203, in the year ending with March 1901. Raw wool to the value of £819,748, and wool manufactures to the value of £227,681, were exported in 1900-1901.

The export of rice, wheat, and other grains showed the most remarkable variations during the last four years of the century. The export was 14 million tens of rupees, or 10 millions sterling, in 1897-98, and it went up to 27 million tens of rupees, or 13 millions sterling,

\* Mineral oils, £2,305,235; liquors, £1,077,919.



# Exports from India to all Countries in Tens of Exports.

Raw Cotton.	Cotton Twist and Yarn.	Cotton Manufactures.	Rice, Wheat and other Grains.	Hides and Skins.	Raw Jute.	Opium.	Seeds.	Indigo.	Tea.
Tens of lb	Tens of Rs.	Tens of Rs.	Tens of Rs.	Tens of	Tens of Rs.	Tens of Rs.	Tens of Rs.	Tens of Rs.	Tens of Rs.
1878 9,387,354	744,791	1,550,228	10,152,923	3,757,480	3,518,114	12,374,505	7,360,683	3,494,334	3,061,867
1879 7,914,091	937,098	1,644,125	9,802,363	3,097,561	3,800,426	12,993,985	4,682,512	2,960,463	3,170,118
1880 11,145,453	1,163,946	1,573,970	9,866,906	3,738,455	4,370,032	14,323,314	4,731,465	2,947,434	3,072,244
1881 13,241,744	1,330,051	1,777,975	12,711,641	3,735,646	3,934,03	13,600,148	6,392,185	3,571,581	3,099,887
1882 14,941,423	1,420,737	1,914,549	17,510,685	3,952,052	5,030,302	12,432,142	6,064,732	4,509,080	3,662,859
1883 16,055,758	1,874,464	1,993,146	14,884,812	4,444,946	5,846,926	11,481,379	7,205,924	3,912,997	3,738,842
1884 14,401,992	1,983,019	1,326,018	17,623,58.	4,666,788	4,592,635	11,294,460	10,086,088	4,640,991	4,134,221
1885 13,295,124	2,506,617	1,080,017	13,895,442	4,926,510	4,661,368	10,882,606	10,752,854	4,068,900	4,137,351
1886 10,782,031	2,841,555	1,248,973	17,612,364	5,336,229	4,355,362	10,735,518	9,975,129	3,783,160	4,397,177
1887 13,475,962	3,418,008	2,436,344	18,027,614	5,149,357	4,869,815	11,077,669	9,222,870	3,691,677	4,883,143
1888 14,413,544	4,146,731	2,708,854	15,738,038	4,860,380	6,040,379	10,067,764	9,399,190	3,890,649	5,302,446
1889 15,045,679	5,318,614	2,872,631	16,152,771	4,746,007	7,897,154	10,508,082	9,564,217	3,948,595	5,473,137
1890 18,671,329	5,840,114	2,733,369	16,816,596	4,524,360	8,639,861	10,115,936	10,631,247	3,863,084	5,445,487
891 16,533,913	6,627,165	2,869,768	19,812,212	4,698,771	7,602,010	9,261,814	9,345,990	3,073,125	5,504,293
892 10,763,559	5,884,698	3,081,168	29,059,325	5,186,738	6,848,493	9,562,261	12,210,542	3,214,086	6,283,870
893 12,743,883	6,864,304	3,060,054	20,907,373	5,591,991	7,944,223	9,255,014	11,633,374	4,141,179	6,620,499
894 13,310,709	5,054,099	2,914,356	16,732,563	5,801,752	8,524,130	8,019,428	16,761,734	4,182,128	6,928,993
1895 8,708,233	5,783,626	3,599,834	17,432,502	6,560,259	10,575,977	9,064,665	14,206,042	4,745,915	7,988,599
896 14,000,866	6,801,553	3,418,688	18,714,831	7,640,863	9,092,861	8,459,336	9,721,660	5,354,511	8,025,974
1897 12,971,960	7,262,255	2,700,924	12,848,016	7,001,730	10,550,577	8,022,923	8,014,875	4,370,757	8,495,781
1898 8,872,457	7,070,179	2,497,419	14,111,549	8,318,180	10,129,192	6,097,563	8,600,816	3,057,400	3,274,117
1899 11,190,126	6,685,366	2,462,869	27,201,260	7,450,633	6,941,245	7,126,009	11,852,012	2,070,478	8,191,115
1900 9,925,080	7,007,844	2,610,798	18,103,075	10,463,385	8,071,647	8,203,714	10,109,689	2,692,510	9,176,979
1901 10,124,647	4,243,444	2,706,330	14,064,504	11,483,583	10,867,756	9,456,476	9,018,361	2,135,908	9,682,222

in 1898-99. Our readers, who have perused the previous chapters on trades and manufacture in the present work, will not be at a loss for an explanation. The trade of India is not natural but forced; the export of food grains is made under compulsion to meet an excessive Land Revenue demand. The year 1897-98 was a year of widespread famine in India, and millions of people died of starvation. Nevertheless, the Land Revenue was collected to the amount of 17 millions sterling; and cultivators paid it largely by selling their food grains, which were exported to the amount of 10 millions sterling in that calamitous year. In the following year the crops were good. The agriculturists sold large quantities of their produce to replace their plough cattle, and to repair the losses of the previous famine year. Unfortunately, too, the Government realised the arrears of the Land Revenue with a vigour as inconsiderate as it was unwise; and vast quantities of the new produce had to be sold to meet this pressing Land Revenue demand. Both these causes operated to increase the export of food grains to a figure which it never reached before. Those who judged the prosperity of India by its revenue collection were jubilant. A Land Revenue collection of over 18 millions sterling gave them the evidence they relied upon. The usual misleading statements were made in India, and in the House of Commons, about the recuperative power of India. Few cared to inquire if the enormous exports and the enormous Land Revenue collection had left any stores of food among the people.

The Nemesis followed soon. The following years were years of scanty harvests. Bombay and the Central Provinces had been denuded of their food resources. And those Provinces suffered from a three years' continuous famine, which is unparalleled in the history of modern times.

Nature set a limit which the cultivators had not

obtained from the moderation of their rulers. Population decreased in Bombay, and still more in the Central Provinces. Miles of cultivated land became waste. Jungle grew on homesteads, wheat lands, and rice lands. The Land Revenue demand of the Government could no longer be collected. Then, with a reluctant confession of blunder,\* the demand was revised. Both in Bombay and in the Central Provinces the demand was reduced in District after District. The Land Revenue in the years immediately succeeding did not reach 18 millions sterling. The export of the food grains has never reached 18 millions sterling since.

But the relief is only temporary. There is nothing to restrain Settlement Officers from screwing up the Land Revenue demand again on the first signs of prosperity. There is nothing to give an assurance to the people as to the limits of the State demand from the produce of their fields. A system which is virtually one of adjusting the demand to the utmost paying capacity of an agricultural population demoralises the nation, and makes any permanent improvement in their condition impossible. The people ask for some rule limiting Land Revenue enhancements to definite and specific grounds. The Marquis of Ripon granted them such a rule, but it was withdrawn the month after his departure from India. Lord Curzon has declined to grant them such a rule, as we have seen in the last chapter.

The facts stated above also show the unwisdom of judging the condition of the people of India by the volume of India's foreign trade. Englishmen find this a fairly correct test in their own country, and make the natural mistake of applying it to India. Englishmen

\*"Mr. Dutt seemed to think that, in the Central Provinces, the Government of India were exacting an exorbitantly high Land Revenue. He [Lord George Hamilton] was very reluctant to dogmatise as to what was, and what was not, a reasonable Land Revenue; and he should be very sorry to say that in the past they might not, here and there, have placed the Land Assessment too high."—Report of Lord George Hamilton's speech in the House of Commons, the *Times*, April 4, 1900.

live to a large extent on their commerce and manufacture. The sale of their manufactures enables them to buy food from foreign markets. The profits of commerce and of the carrying trade add to their wealth. The volume of trade is a fairly correct index of their national income.

But the circumstances are different in India. The external trade is carried on by foreign merchants with foreign capital. The profits of the trade come to Europe and do not remain in India. The earnings of the foreign trade are not the earnings of the people. The volume of the foreign trade is not an index to their national income. In the year 1881-82, under Lord Ripon's reign of peace and comparative prosperity the total imports and exports of India were 83 millions sterling. In 1900-1901, a year of famines and distress, the total imports and exports were 122 millions. Who that knows India, or has heard anything of India, will say that India earned more, or was better fed, and was more prosperous, in 1900-1901 than in 1881-82?

Commerce, even when carried on by foreign capital and foreign merchants, is beneficial to a country. It brings in articles cheaper than the country can produce. And it also brings a higher price for the home-produce than can be obtained at home. In both these ways commerce is beneficial even though the profits of trade go to other lands. But in India, even this benefit is restricted because her foreign trade is forced, not natural. The excise imposed on cotton manufactures *restricts* the production of articles which the country could produce. And the Land Revenue system of India, as well as the Home Charges, *forces* the export of food grains, much of which the country needs for its own population. Thus large imports of cotton goods into India are secured by restrictions on the Indian industry. And large exports of food are compelled by a heavy Land Tax and a heavy Tribute.

## CHAPTER XI

### HISTORY OF TARIFFS, 1879 to 1900.

IN a previous chapter we have narrated the history of Indian Tariffs down to 1879, when Lord Lytton sacrificed an important source of Indian revenue in a year of war, famine, and deficit. His successor, the Marquis of Ripon, concluded the Afghan War, established peace, and secured a surplus. And his Finance Minister, Sir Evelyn Baring, now Lord Cromer, abolished the remaining Import Duties in March 1882,—excepting those on salt and liquors.

There was some justification for the abolition of import duties in a year of peace and prosperity. Nevertheless, Lord Ripon and his Finance Minister would have acted more in the interests of the people of India, if they had, in the first instance, withdrawn the Cesses which had been imposed on land, since 1871, in addition to the Land Revenue. While agriculture, the main industry of the people, remained overtaxed, it was not fair to surrender a legitimate revenue derived from customs, which did not operate as a protection.

No fresh import duties were levied for twelve years, between 1882 and 1894, except a small duty on petroleum imposed in 1888. But the steady increase in Military Expenditure which was made after Lord Ripon's departure from India, the large addition in the army sanctioned by Lord Dufferin, and the mischievous activity of Lord Lansdowne's Government beyond the frontiers, disturbed the financial equilibrium of India. And the fall of the rupee created difficulties in remitting to England the increasing Home Charges which were paid in pounds sterling. It is remarkable

how little of the increase in Indian expenditure, between 1884 and 1894, was due to improved domestic administration, and how much of it was due to extravagant military charges and impoverishing Home Charges. In 1894 the Indian Government found itself face to face with a deficit of over two million sterling.

Lord Herschell's Committee was appointed to inquire into the possibility of further taxation in India. The Committee came to the conclusion that, "Of all the suggested methods of adding to the revenue, the reimposition of Import Duties would, according to the evidence before us, excite the least opposition, indeed it is said that it would be popular." But the Committee took care to add that any attempt to re-impose duties on cotton goods would meet with great opposition.

Accordingly, in March 1894—twelve years after the abolition of Import Duties by Sir Evelyn Baring—they were re-imposed on articles imported into India, other than cotton. A duty of 5 per cent. *ad valorem* was imposed generally on all articles with a few exceptions. Iron and steel paid 1 per cent.; petroleum, which paid 1d. per gallon; and railway materials, industrial and agricultural machinery, coal, raw materials, grains, books, and miscellaneous articles were duty free. The Bill was vigorously opposed in the Legislative Council, specially on the ground of the omission of cotton from the schedules; and Lord Elgin, in passing the Tariff Act in March 1894, hinted that it was not a final measure.

It was indeed a very temporary measure. For in December 1894 a fresh Tariff Act was passed, including cotton fabrics and yarns, on which a duty of 5 per cent. *ad valorem* was levied. But the Indian Government thought it wise to propitiate Manchester by imposing a countervailing Excise Duty of 5 per cent. upon yarns produced in Indian mills, which could compete with Lancashire yarns. As a rule, Lancashire manufactures, imported into India, are of the finer classes, and goods,

produced at Indian mills, are of the coarser kinds. But in some of the medium yarns, the two supplies—Lancashire and Indian—might overlap; and a 5 per cent. Excise Duty was imposed for these “counts” in which there was an element of competition. The Indian yarns “above twenties,”—*i.e.* those of which more than 20 bundles of a specific length went to 1 lb.—were excised.

But British manufacturers were not satisfied. A debate took place in the House of Commons on January 21, 1895, and Sir Henry Fowler, Secretary of State for India, made a significant statement: “Her Majesty’s Government would, in concert with the Government of India, consider the matter with a view to carry out loyally the declared intention to avoid protective injustice.”

Six days after he received a deputation from Scotch manufacturers and exporters of dyed cotton goods to India, which specially brought forward two points:—

(1) That they sent cotton yarns of low counts to Burma which had to pay a duty of 5 per cent., while yarns of Number 20 and under from Calcutta and Bombay paid no duty on entering Burma.

(2) That Indian goods paid 5 per cent. excise duty only on the grey yarns from which they were made, while bleached, dyed, woven, and printed British goods paid a 5 per cent. custom duty. Thus bleached, dyed, woven, and printed Indian goods enjoyed a fiscal advantage.

On May 27, 1895, Sir Henry Fowler received another deputation of Lancashire manufacturers and exporters of cotton goods. The deputation was invited to send a statement of facts and arguments. This was duly submitted. But the Liberal Government fell in June 1895, and Lord George Hamilton became Secretary of State for India with the return of the Conservatives to power.

The Conservative party were bound by many pledges and semi-pledges to the Lancashire voters. And they went further in making concessions to the Lancashire demand than the Liberals had done. In September

1895 Lord George Hamilton addressed a letter to the Indian Government, from which we make the following extracts :—

“The Lancashire deputation lay stress on the statement that it is impossible to work fairly, to both the Indian and British manufacturer, an artificial dividing line at 20 s., or at any other count.”

“It would be best for India, as well as for the United Kingdom, that the Indian ports should be free from custom duties, as they practically were from 1882 to 1894. But if the condition of the Indian finances compels the Government to retain the import duties, then it is necessary that the duties should be placed on such a footing as will not infringe pledges that have been given, or afford ground for continued complaint and attack.”\*

Slowly but surely the authorities adopted the fatal policy of putting an excise duty on all Indian woven goods. The line drawn at 20 s. count was to be removed ; yarns were to be freed ; and all woven goods, including the coarsest Indian manufactures with which Lancashire did not compete, were to be excised.

On January 16, 1896, Lord Elgin wired to the Secretary of State, asking his approval to a new measure imposing a 3½ per cent. duty on all woven goods, and exempting all yarns. Lord George Hamilton wired his approval on the next day ; and an Indian Tariff Amendment Bill and a Cotton Duties Bill were introduced in the Governor-General's Council.

It can be easily imagined that this determination to revise the Tariff Act passed only a year before, and to subject to an iniquitous excise tax the coarse cotton goods of India, which did not compete with any European goods, raised angry protests from members of the Governor-General's Council—official and non-official, Indian and European. The debate took place on Feb-

\* Despatch, dated September 5, 1895.



ruary 3, and covers thirty-six folio pages.\* We only make room for a few brief extracts.

Mr. Playfair, representing the European mercantile community of Calcutta, said :—

“Nothing has been produced, therefore, to contradict the views held by honourable members, that competition on the part of Lancashire mills with the production of the coarser fabrics spun and woven in Indian mills does not exist. On the other hand, further examination in India proves that in reality no competition exists in goods made from yarn below 20 s.”

“And after all, what is this Indian trade over which so much contention has unfortunately arisen? An examination of statistics shows that the powerloom spindles in India amount to  $\frac{1}{3}$ th, and the powerlooms in India to  $\frac{1}{8}$ th of the world's supply. In relation to Great Britain's equipment, which represents one-half in spindles and one-third in looms of the world's supply, India possesses  $\frac{1}{2}$ th part of Great Britain's spindles and  $\frac{1}{9}$ th part of her looms. May India not have this little ewe lamb? My lord, I have every sympathy with the depressed condition of Lancashire trade, and for the welfare of England as well as India, everything that can legitimately be done to afford relief should be granted. But, because Lancashire masters may be alarmed and discontented on account of the state of their affairs, I see no reason why they should unjustly attack a separate industry in India. The proposals under these Bills mean a remission of taxation of  $5\frac{1}{2}$  lakhs (or 37 per cent.) on Manchester goods, and an increase of 11 lakhs (or 300 per cent) of taxation on Indian-made goods.”

Rao Sahib Balwant Rao spoke on behalf of the Indian manufacturer :—

“No less an authority than Mr. Mill advocates a temporary protection to infant and promising industries.

\* Papers relating to the Indian Tariff Act, 1896, and the Cotton Duties Act, 1896, presented to Parliament.

...But taking our stand on Free Trade alone, it cannot be made out that in the duties, as they have hitherto been levied, there can be any protection afforded to India. Properly speaking it is only 30 s. and 40 s. of the Indian goods that can enter into direct competition with Manchester."

"If the articles manufactured in India out of the yarns of 20 s. and lower were excised, no advantage is gained by any foreign dealer. . . . But at the same time millions will have to buy their coarse cloth at an unnecessarily higher price, which is sure to tell heavily on their impoverishment. Those who are best able to pay a tax, and that too in proportion to their higher comfort, will have their tax reduced, and the deficit will be filled up by the poorest."

Mr. Anand Charlu representing Madras, also pointed out that there was no competition in the coarser goods, and to excise the coarser goods in India would be going beyond the pledges given to Lancashire. He added:—

"I beseech the responsible Ministers who have the power, if they possess the will, to see that our interests are not ruthlessly jeopardised, To them I shall say, also, that they are drifting—let me say unwittingly—beyond even the pledges given by the Secretary of State for India ; for that officer has promised relief only against injustice and only against protection."

Mr. Stevens, afterwards Sir Charles Stevens, representing Bengal, said :—

"I fear it must be owned that the measure has not received the support of the public as a whole. For this there are two main reasons. *First*, the suspicion existing in some quarters that it has been called for by the exigencies of party politics in England rather than by the wants of India ; *Secondly*, that the trade will be disturbed to the disadvantage of important industries and of poor consumers in this country."

All these protests were in vain. Indian Legislative

Councils have no independence. Sir James Westland, the Finance Minister of Lord Elgin, was in charge of the Bills, and had little difficulty in having them passed.

Section 6 of the Cotton Duties Act of 1896 runs thus :—

“There shall be levied and collected at every mill in British India, upon all cotton goods produced in such mill, a duty at the rate of  $3\frac{1}{2}$  per centum on the value of such goods.”

The reader will observe that this legislation altogether stands apart from any previous fiscal legislation which had ever taken place in India. In 1879 cotton duties were surrendered. In 1882 all import duties except on salt and liquors were repealed. In 1894 import duties were re-imposed, and an excise duty was imposed on such Indian goods as competed with Lancashire goods. But the surrender of 1896 went farther and deeper. It imposed an excise duty on all cotton goods produced in India. It taxed the coarse Indian fabrics with which Manchester had never competed and never could compete. It threw a burden on Indian mills which competed with no mills in Europe. It raised the price of the poor man's clothing in India without the pretext of relieving the poor man of Lancashire.

As an instance of fiscal injustice, the Indian Act of 1896 is unexampled in any civilised country in modern times. Most civilised Governments protect their home industries by prohibitive duties on foreign goods. The most thorough of Free Trade Governments do not excise home manufactures when imposing a moderate customs duty on imported goods for the purposes of revenue. In India, where an infant industry required protection, even according to the maxims of John Stuart Mill, no protection has ever been given. Moderate customs, levied for the purposes of revenue only, were sacrificed in 1879 and 1882. Home-manufactured cotton goods,

which were supposed to compete with imported goods were excised in 1894. And home goods, which did not compete with foreign goods were excised in 1896. Such is the manner in which the interests of an unrepresented nation are sacrificed.

The result of this iniquitous legislation, combined with the recent famines and currency legislation, has been disastrous. The following figures will show how the industry has been checked in the closing years of the century.

Year.	Number of Mills.	Looms.	Spindles.	Yarns, million lbs.	Piece Goods, mil- lion yds.
1898-99	175	37,288	4,455,038	512	101
1899-1900	186	38,520	4,729,570	513	98
1900-1901	190	40,542	4,932,602	353	98

New mills are struggling into existence in spite of every check, but the output in yarns and piece goods shows a lamentable decline.

In the fiscal controversy which is going on in England at the present time (1903), Protectionists, Retaliationists, and Free Traders, all appeal the good of the people of Great Britain as the final test. Protectionists urge that Protection secures the interests of the people. Retaliationists argue that it is necessary to point the revolver at the foreigner to secure justice to the people. Free Traders insist that absolute Free Trade is the only possible policy to save the overgrown population of Great Britain from dear-loaf, penury, and starvation. All parties agree in regarding the good of the people as the final aim and end of fiscal legislation; they only differ as to the method by which it can be best secured. Will Englishmen honestly apply this test to India? Will they dare to be just to the Indian manufacturer, and legislate in the interests of the Indian industries and the Indian nation?

## CHAPTER XII.

### INDIAN FINANCE, 1878 TO 1900.

"Two conflicting policies prevailed in India," said Sir Charles Trevelyan in 1873, in his evidence before the Select Committee on Indian Finance. "One, the policy advocated by me, of *reduction of expenditure*; the other, which was the favourite at Calcutta and in England, *increase of taxation*."

After the retirement of Lord Northbrook from India, and of the able and sympathetic Finance Minister, Sir William Muir, in 1876, the policy of increase of taxation prevailed unchecked. The Madras famine of 1877 did not lead Lord Lytton to a reduction of expenditure and a reduction of taxes. On the contrary, under the advice of his new Finance Minister, Sir John Strachey, he imposed new taxes to create a Famine Relief and Insurance Fund. "The simple object was, in fact, to provide so far as possible an annual surplus of one and a half crores, for famine relief in famine insurance expenditure. To the extent to which, in any year, the amount was not spent on relief, it was to be spent solely on reduction of debt, or rather upon avoidance of debt, which is the same thing."\* And a pledge was given to the people of India that proceeds of the taxes would not be expended for any purpose other than that for which they were imposed.

The pledge was broken soon after it was given. In the budget of 1878-79 the grant was made; but in the budget of 1879-80 it was suspended. The famine insurance taxes continued to be levied; but the grant

\* Report of Famine Commission of 1898, p. 324.

for famine relief and insurance disappeared. There was a strong protest from the public in India. The Finance Minister, Sir John Strachey, argued that whether the public accounts showed surplus, equilibrium, or deficit, the new taxes must prevent debts by the amount they yielded, and therefore fulfilled the conditions under which they were imposed. The public in India considered this argument a disingenuous evasion of a specific pledge. The Secretary of the State for India himself took exception to Sir John Strachey's argument. It was decided in 1881 that the full grant of  $1\frac{1}{2}$  crores of rupees should in future be entered in the budget under the head of Famine Relief and Insurance, with sub-heads for (1) Relief, (2) Protective Works, and (3) Reduction of Debt.

Thus "the original policy of devoting the whole of the grant, less actual cost of famine relief, to reduction or avoidance of debt had been changed by the acceptance of the view that a large part of the grant might be better applied to what are called Famine Protective, as distinct from Productive, Public Works." \*

But even this new modified purpose of the Famine Grant was not scrupulously adhered to. In the fifteen years ending with 1895-6, the Famine Grant of  $1\frac{1}{2}$  crores, or one million sterling a year, would be fifteen millions sterling. But the expenditure in Famine Relief, Protective Works, and Reduction of Debt was less than ten millions sterling, as shown in the following figures.

1881-82 to 1896-97.	
	£
Famine Relief . . . . .	213,571
Protective Railways . . . . .	4,367,287
Protective Irrigation Works . . . . .	1,209,207
Reduction or Avoidance of Debt . . . . .	3,551,533
<b>Total . . . . .</b>	<b>9,341,598</b>

\* Report of the Famine Commission of 1898, p. 25.

"Avoidance of Debt" is an ambiguous term. Nothing but positive "Reduction of Debt" should be shown under the last head. But taking the figures as they are given, the total expenditure fell short of the stipulated Famine Grant by over five and a half millions sterling. The Indian Debt should have been reduced by that amount. Instead of that the loss incurred on the Bengal Nagpur and Midland Railways, amounting to £2,389,397 in the fifteen years, was shown as expenditure from the Famine Relief and Insurance Grant.

Then followed six years of almost continuous famines, and famine relief expenditure largely increased. The total expenditure for the twenty-one years, therefore, from 1881-82 to 1901-02 exceeds the total stipulated grant by a million sterling, as shown in the following figures :—

1881-82 to 1901-02.	
	£
Famine Relief . . . . .	11,906,358
Protective Railways . . . . .	4,827,522
Protective Irrigation Works . . . . .	1,398,955
Reduction or Avoidance of Debt . . . . .	4,132,996
Total . . . . .	22,265,831

We have excluded the loss on the Bengal Nagpur and Midland Railways, which, in these twenty-one years, amounted to £3,280,334. It should be noted that recent famine relief expenditure has increased the liabilities of India ; the original purpose of the famine relief taxes, to keep down such liabilities by reducing the debt in ordinary years, has not been fulfilled.

The total revenues of India, including the Land Revenue, and the total expenditure, including the Home Charges, during twenty-five years, are shown in the following table, compiled from *Statistical Abstracts* :—

Year.	Land Revenue	Gross Revenue and Receipts.	Expenditure in England.	Gross Expenditure charged against Revenue.
	Tens of Rs	Tens of Rs	Tens of Rs	Tens of Rs
1877-78	19,891,145	61,972,481	16,202,016	66,234,521
1878-79	22,323,868	65,194,020	16,794,424	63,059,922
1879-80	21,861,150	68,433,157	17,486,144	69,661,050
1880-81	21,112,995	74,290,112	17,340,712	77,921,506
1881-82	21,948,022	75,684,987	17,369,631	72,089,536
1882-83	21,876,047	70,278,337	17,335,995	69,603,500
1883-84	22,361,899	71,841,790	18,464,752	69,692,313
1884-85	21,832,211	70,690,681	17,527,406	71,077,127
1885-86	22,592,371	74,464,197	18,426,170	77,265,923
1886-87	23,055,724	77,337,134	19,829,035	77,158,707
1887-88	23,189,292	78,759,744	21,855,698	80,788,576
1888-89	23,016,404	81,696,678	21,954,657	81,659,660
1889-90	23,981,399	85,085,203	21,512,365	82,473,170
1890-91	24,045,209	85,741,649	20,656,019	82,053,478
1891-92	23,965,774	89,143,283	22,911,912	88,675,748
1892-93	24,905,328	90,172,438	26,161,815	91,005,850
1893-94	25,589,609	90,565,214	26,112,111	92,112,212
1894-95	25,408,272	95,187,429	28,775,648	94,494,319
1895-96	26,200,955	98,370,167	27,458,338	96,836,169
1896-97	23,974,489	94,129,741	26,234,255	95,834,763
1897-98	25,683,642	96,442,004	25,319,824	101,801,215
1898-99	27,459,313	101,426,693	24,487,765	97,465,583
1899-1900	25,807,584	102,955,746	24,589,269	98,793,811
1900-01	26,254,546	112,908,436	25,801,435	110,403,130
1901-02	27,432,027	114,516,788	26,052,983	107,091,423

We shall confine ourselves to the figures of the last five years to trace the exact results of the artificial appreciation of the rupee. The rupee had been raised to slightly over 15d. in 1897-98, and to 16d. in 1898-99, at which figure its value has been fixed. We show below the total revenues and the total expenditure of India for these five years in pounds sterling for the convenience of British readers.



	1897-98	1898-99.	1899-1900.	1900-01.	1901-02.
	£	£	£	£	£
Total re- venues.	64,257,207	67,595,815	68,637,164	75,272,291	76,344,525
Total ex- penditure	57,830,014	64,954,942	65,862,541	73,602,087	71,394,282

These figures disclose the startling fact that taxation in India has been increased by 12 millions sterling in five years mainly by the artificial raising of the value of the rupee. This was precisely the result which was foreseen by the Treasury in 1879, when the Lords of the Treasury condemned in explicit terms the object of the Indian Government "to increase the amount they have to receive from their taxpayers" by increasing the rupee. It was "a benefit to English officers in India at the cost of the Indian taxpayer," which the Treasury had again foreseen and condemned in 1886. It was a result which was foreseen and deprecated by several witnesses before the Currency Committee in 1899, including the present writer, when he pointed out that the artificial raising of the rupee "means a general increase in taxation." And this result was deplored by the Hon. Mr. Gokhale from his place in the Governor-General's Council in March 1902; he condemned, in an able and luminous speech, the continuous raising of the revenue when the country was suffering from prolonged famines and distress unexampled in the previous history of British India.

This policy of fixing the value of the rupee at 16d. has now been permanently accepted; it is not likely to be departed from again. But the people of India may fairly claim relief from those additional taxes which were imposed on them before the value of the rupee was raised. It is a common saying that you cannot burn the candle at both ends. And, as the Government of India have decided to add to the taxation of the

country by appreciating the rupee, it is not just or equitable to maintain those added taxes which were imposed before this step was taken. The Indian Budget now shows a surplus, year after year, in spite of the extreme poverty of the people ; it is possible to relieve that poverty to some extent by withdrawing those taxes which tell severely on the earnings of the nation.

Nothing presses so severely on an agricultural nation as the numerous Cesses which have been imposed on the land, in addition to the Land Revenue, since 1871. The time and the occasion have come for their repeal. "The question presents itself," Lord Curzon himself has declared, "whether it is not better, as opportunities occur, to mitigate those imposts which are made to press upon the cultivating classes more severely than the law intended."\* It will be a real and much-needed relief to the cultivators of India, after years of famine and suffering, if these imposts be now repealed, and the Land Tax be rigidly confined to the limits prescribed by Lord Dalhousie in 1855, and Sir Charles Wood in 1864—*one half the rental on the economic rent.*

The Famine Relief and Insurance taxes have also taken the form of additional imposts on the land. To keep these taxes is only to add to the poverty of the people, and the severity of the famines ; to repeal them would be to give the agricultural population some relief. For the best insurance against famines is to permanently improve the condition of the cultivators, and to secure them against a multitude of imposts upon the land already severely taxed for the Land Revenue.

Lastly, the Salt Tax might be still further reduced. And the Excise imposed on the manufacture of cotton mills calls loudly for repeal. It is not a tax which the

\* Resolution on the Land Revenue Policy of the Indian Government dated January 16, 1902.

British Government in India can justly maintain on Indian manufactures, when the British Government at home are seeking by every means in their power to encourage and help home manufacture against foreign competition.

It has too often been the case in India that a handsome surplus in the budget has been succeeded by some needless and expensive war on the frontiers. It has also happened that such surplus has been swept away by larger demands from the Imperial Exchequer or the British manufacturer. As soon as the Indian budget showed a surplus under the new currency policy such demands were made. A sum of £786,000 has already been swept away, against the protests of Lord Curzon, for the increased cost of the recruitment of the British Army. Another demand of £400,000 was made for the maintenance of an army in South Africa, and was only given up when officials and the public, in England and in India, combined in a vehement protest. Lancashire manufacturers have once more referred to the Indian surplus, and demanded the repeal of the  $3\frac{1}{2}$  per cent. import duty on cotton goods. Complications on the Tibet frontier are arising which create a just alarm that the Indian surplus may end in ambitious and useless military expeditions. The Persian Gulf question also looms in the distance.

All this is perfectly intelligible under the present constitution of the Indian Government. Every great interest, every section of British subjects, can bring pressure to bear on the Indian Government—except only the people of India. The British Cabinet can press its demands through the Secretary of State for India, who is a member of that cabinet. British manufacturers can use their votes and work through their representatives in the House of Commons, to demand and obtain concessions. And military men have an influence in the Viceroy's council which never

ceases to operate. By an irony of fate the only section which has no representation, no voice, no influence in the Indian administration is the people of India. And thus a surplus in the Indian budget, obtained by increase of taxation, is swept away, time after time, without giving the people any relief. The danger at the present moment (1903) is great, the large surplus will not appear much longer. The Indian nation expects and hopes that it will not disappear without giving some real, tangible, and substantial relief to the famine-stricken and unrepresented cultivators of India.

The total debt of India the last twenty-five years is shown in the two tables given below. In the first table the Indian Debt is shown in tens of rupees. In the second table it is converted into pounds sterling as shown in recent numbers of the *Statistical Abstract*.

Year.	Permanent and Unfunded Indian Debt.	Debt in England.
	Tens of Rupees.	£
1877-78	82,783,277	59,677,033
1878-79	86,877,821	59,029,117
1879-80	91,506,846	68,855,556
1880-81	95,782,357	71,429,133
1881-82	98,784,414	68,141,947
1882-83	100,651,862	68,585,694
1883-84	103,503,456	68,108,837
1884-85	104,450,406	69,271,088
1885-86	100,717,480	73,806,621
1886-87	101,442,979	84,228,177
1887-88	107,806,795	84,140,148
1888-89	111,585,949	95,033,610
1889-90	113,437,052	98,192,391

Year.	Permanent and Unfunded Indian Debt.	Debt in England.	Total.
	£	£	£
1890-91	78,416,801	104,408,208	182,825,009
1891-92	79,229,246	107,404,143	186,633,389
1892-93	80,214,413	106,683,767	186,898,180
1893-94	82,545,516	114,113,792	196,659,308
1894-95	81,836,145	116,005,826	197,841,971
1895-96	82,076,049	115,903,732	197,979,781
1896-97	85,158,840	114,883,233	200,042,073
1897-98	86,766,193	123,274,680	210,040,873
1898-99	87,828,906	124,268,605	212,097,511
1899-1900	88,023,665	124,144,401	212,168,066
1900-01	90,407,865	133,435,379	223,843,244
1901-02	91,925,015	134,307,090	226,232,105

There is need for the creation of a sinking fund to reduce this debt in years of peace. There is need for the co-operation of representative Indians in reducing debt and expenditure. There is need for introducing a popular element in the financial administration of India. The Governor-General's Council consists of able, experienced, and conscientious men, but they represent, nearly all of them, spending departments. They feel the needs of their departments, they urge additional expenditure; there is no counter-influence making for retrenchment. Retrenchment is not possible in India, or in any other country in the world, unless the taxpayers have some voice in the national expenditure.

In no department of the Indian administration are representative Indians better qualified to take a share than in the department of Revenue and Finance. They see and they feel the operation of the Land Tax and of every other tax. They live among their agricultural countrymen, know their troubles, and their difficulties, and can voice their wishes and their views. They have a strong and almost a personal interest in effecting retrenchment. They have an inherited and traditional

aptitude, excelled by no nation on earth, for accounts and finance. Their entire exclusion from the control of administration has not been attended with happy results. In no department has Indian administration been less successful—owing to this very exclusion of popular influence—than in revenue and finance.

A Finance and Revenue Board, including some Indian members elected by the Legislative Councils of the larger Provinces, could materially help the Finance Member and the Home Member of the Governor-General's Council in their arduous and difficult work. And the admission of some qualified Indians, appointed by the Government, to the Councils of the Secretary of State and the Governor-General would make the administration better informed and more in touch with the interests of the people. All British interests, all sections of the British community, have influence on the Indian Administration. It is just, and it is expedient that the Indian people should have some voice and some share in that administration which concerns them more than any other class of people. In the absence of this popular element in the Indian administration, all the influences at work make for increased taxation and increased expenditure, and for the sacrifice of Indian revenues on objects which are not purely Indian; no influences are at work which make directly for reduction in expenditure and taxes, and for relieving the burdens of our unrepresented population. Taxation without some kind of Representation has been a failure in India as in every other part of the civilised world.

















